



# vestjyskBANK Annual Report 2008



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# Management's Report



## 2008 – An Epoch-Making Year

2008 was an eventful year, characterised by massive turbulence, not only internationally, but nationally and locally too. The global financial crisis which started with the sub-prime crisis in the USA in 2007, escalated to a real economic crisis in 2008 and spread, at great speed, to the rest of the world in the first half of the year. The shortage of liquidity gripped Denmark in earnest over the summer with the consequence that several financial institutions gradually came under considerable pressure, as receivables became impairments and impairments became actual losses.

Especially lenders to commercial property projects with high gearing were hit hard, and this contributed both directly and indirectly to Bonusbanken in Herning having to relinquish its independence in September. According to vestjyskBANK's assessment, Bonusbanken's customer base and geographical location complemented those of vestjyskBANK particularly well, and the Board of Directors in vestjyskBANK thus decided to take over the banking activities of Bonusbanken on 29 September 2008.

29 September 2008 was also the day on which vestjyskBANK announced another particularly important strategic decision, namely the decision to merge Ringkjøbing Bank and vestjyskBANK. Two banks, both sound and well-consolidated thanks to a stringent approach to giving credit, but also two banks that shared a set of core values and that to a great degree complemented each other in terms of geographical locations.

The merging of the two banks was approved by a large majority at the General Meetings on 2 December and was implemented with effect from 3 December 2008. Consequently, the size of the new vestjyskBANK places it among the ten largest banks in the country. We are now well underway with integrating the organisations and laying the foundations for exploiting our size and capacity in support functions, so that we can take advantage of the opportunities available, despite negative macro-economic tendencies. In the fourth quarter of 2008, it was apparent that the economic downturn had intensified and that financial instability was set to continue. Consequently, politicians initiated a number of help packages to try and re-establish confidence



in financial systems and limit the scope of the financial crisis. vestjyskBANK has signed up to the government Guarantee Scheme, also known as Banking Package I, and the Board of Directors recommends to the General Meeting that it signs up to Banking Package II which means government injections of hybrid core capital. This is done in order to strengthen the capital framework to equip the Bank to be able to deal with the present uncertain conditions.

For vestjyskBANK, 2009 will be a year of consolidation. We will carry on working towards realising synergy potentials and the other goals of the merger. Most importantly, this is to create an even stronger local bank where decisions are made on the basis of solid business principles with a stringent credit policy and maintenance of a high-quality lending portfolio. A bank that is among the most profitable in Denmark and which is strong enough to independently develop a balanced strategy entailing profitable and controlled growth.

This will require an effort internally to ensure efficiency and implement policies and proce-

dures that minimise the level of impairments and losses. To a great extent, it also means that all employees, through our solid West Jutlandic values of presence, competence and dynamism, continue to focus on offering customers individualised and competent advice and are mindful of the fact that our business has to benefit both customers and the Bank. Simply because, when things go well for our customers, things go well for vestjyskBANK too.

We hereby take this opportunity to thank all our customers, employees and cooperation partners for the past year and look forward to continued success and reward in 2009 in which all our actions will be governed by our mission: It is all about people – people's dreams and security.

Frank Kristensen  
*CEO*

Preben Knudsgaard  
*Managing Director*

# Management's Report

## Strategic and Financial Goals

vestjyskBANK is among the ten largest banks in Denmark. Taking its West Jutlandic core area as its starting point, vestjyskBANK offers its 100,000 plus corporate and retail customers a complete range of banking, pension and insurance products via its head office in Lemvig and 24 towns in Jutland and on Funen as well as via the Bank's extensive Remote Customer concept.

The Bank's main business areas for retail customers are housing, investments and pensions. On the corporate side, we cover all industries extensively but focus on the needs of our small to medium-sized business customers. We have particular competences in the fields of agriculture and fishery, supplemented by niche areas such as wind turbines, the private healthcare sector and the leisure sector.

vestjyskBANK's long-term goal is to adapt its business volume in keeping with general developments in society, with the focus on striking a better balance between loans and advances and deposits. For the future, we are striving for a minimum solvency level of 12% and excess coverage in compliance with statutory liquidity requirements of at least 50%.

We want to be among the most profitable banks in Denmark which means that, from 2010 onwards, we must annually achieve core earnings before impairment of DKK 600m and a maximum cost percentage of 50, before the costs of banking packages have been factored in. We want to maintain our determined focus on a solid and stringent credit policy and, in future, our loan portfolio shall be characterised by sound commitments and maintenance of an appropriate spread of industries, geographical locations and business sectors. Only in exceptional circumstances will vestjyskBANK have

commitments exceeding 10% of the Bank's capital base. With regard to market risks we will continue to act in a cautious manner.

In the short-term, while the consequences of the financial crisis and the economic downturn continue to impact on social development, vestjyskBANK will focus on two aspects. Firstly, we will seek to limit risks and control costs. Secondly, we will seek to consolidate the Bank and ensure the smooth integration of the banks that make up the new vestjyskBANK. We will take advantage of the possibilities afforded by our new, larger bank to offer our customers an even better service, our employees a more attractive work place and our shareholders a higher return on their investment.

### **The Merger with Ringkjøbing Bank and the Takeover of Bonusbanken**

With the takeover of Bonusbanken and the proposal to merge with Ringkjøbing Bank, September 2008 was a milestone month for vestjyskBANK.

Before the merger, vestjyskBANK and Ringkjøbing Bank were both well-consolidated banks, both following sound business principles. The banks' business strategies were built on shared values, and both vestjyskBANK and Ringkjøbing have always focussed intensely on the needs of their customers and been exponents of a stringent credit policy with loan commitments that have been characterised by high quality and a wide spread of business sectors. Therefore, with the branch networks which, to a large extent, complemented each other, it was obvious that the banks should initiate discussions on a merger, and thus the establishment of one of the largest local banks in Denmark.

The objective of the merger between vestjysk-



BANK and Ringkjøbing Bank was to create a profitable, strong bank based on West Jutlandic virtues. A bank based on secure handling of its loan portfolio and with the size to provide the financial strength and robustness necessary to make it profitable in a volatile financial market while, at the same time, through its presence and commitment make it a valuable consultancy and cooperation partner to its customers.

The merger, in which vestjyskBANK is the surviving company, became a reality after the General Meetings of vestjyskBANK and Ringkjøbing Bank on 2 December 2008, at which a large majority of the shareholders in both banks approved it.

Following the merger, the new vestjyskBANK – one of Denmark's largest local banks – now has a solid base in the West Jutland area around Ringkjøbing, Lemvig, Holstebro and Herning and a number of branches in several of the larger West Jutland towns and in Odense.

By merging vestjyskBANK and Ringkjøbing Bank, synergies will be realised in terms of both earnings and expenses. Thus, the goal is to achieve synergy gains of DKK 75m per annum, primarily through the amalgamation of overlapping administrative functions with a reduction in the number of employees of between 60-80 individuals as a result. The new organisation will be established during the first quarter of 2009 with the necessary organisational reductions being carried out at the same time. The full effect of this employee reduction will be felt in 2010.

### **Macroeconomic Conditions and Help Packages**

2008 was strongly characterised by a significant macroeconomic slowdown and the financial crisis with a sluggish liquidity, both in Denmark and internationally. Rising interest

rates as a result of the increase in the price of raw materials at the start of the year, falling property prices and severe pressure on liquidity led to massive impairments and losses in the financial sector. All of these factors caused several international financial institutions to buckle and collapse. In Denmark, too, the financial crisis left deep tracks, and large-scale impairment in property commitments in particular meant that several banks lost equity and were subject to government intervention.

The financial crisis escalated in the fourth quarter of 2008 and developed into a real economic crisis entailing recession, bankruptcies and rapidly increasing unemployment. At the start of 2009, it has to be said that there is still no sign of these negative developments abating, and it seems that the tendency is for further intensification of the crisis. Therefore, governments have implemented a number of initiatives and help packages aimed at limiting the scope of the crisis.

The Financial Stability Act in Denmark - Banking Package I – is an example of this. The banking package was approved at the start of October 2008 and means that the Danish government will guarantee the proportion of a bank's debt that is not subordinated, corresponding to a bank's deposits and simple accounts receivable. The scheme will remain in force until 30 September 2010.

The financial sector helps pay for the scheme via its contingency association, Det Private Beredskab, with a total contribution of DKK 35bn. vestjyskBANK has signed up to the government's Guarantee Scheme, and the Bank's proportion of this amounts to DKK 125m in annual surety commission. To this must be added vestjyskBANK's proportion of the guarantee of DKK





# Management Report

## Strategic and Financial Goals

10bn and further increased surety commission of DKK 10bn. The banks that have signed up to the scheme must not pay out dividends or impair their share capital for the duration of the period.

Furthermore, in January 2009, the Danish Parliament (Folketinget) passed a law relating to government capital injections for credit institutions - Banking Package II. Banking Package II opens the way for the Danish state to inject hybrid core capital into financial institutions so that their core capital is brought up to a minimum of 12%.

Hybrid core capital is a standing subordinated loan with no expiry date and can only be redeemed after a minimum of three years. The capital carries interest of between 9% and 12% per annum. When hybrid core capital amounts to more than 35% of the total core capital, it must always be possible to convert the amount exceeding 35% to share capital at the request of the Danish Financial Supervisory Authority.

It is a consequence of the law that there must not be any erosion of capital which is why buy-back programmes with a view to impairing share capital are not permitted. Furthermore, there will only be taxable deductions on 50% of the Executive Management's salaries.

On the basis of the current world economic instability and the considerable turbulence on the international capital markets, it is vestjyskBANK's opinion that in the time to come it may well prove difficult for credit institutions to raise new supplementary capital, as existing supplementary loans mature. In order to avoid that vestjyskBANK is put in such a situation, the Board of Directors of vestjyskBANK will recommend at the next General Meeting that vestjyskBANK

signs up to Banking Package II, which entails an injection of DKK 1.4bn-1.7bn as hybrid core capital. Consequently, changes will have to be made to the Bank's Articles of Association. The cost of vestjyskBANK's participation in Banking Package II is estimated to amount to DKK 62m-75m per year.





# Management's Report

## Financial Highlights

In the income statement Bonusbanken is included from 1 October 2008 and Ringkjøbing Bank from 3 December 2008.

The comparative figures for 2004-2007 do not include Bonusbanken nor Ringkjøbing Bank.

Financial Highlights	2008	2007	2006	2005	2004
<b>Income statement (DKK m)</b>					
Net interest income	572	484	432	400	359
Net fee income	142	128	122	116	105
Dividends from shares, etc.	6	4	3	3	4
Market value adjustment of foreign exchange and sector shares	59	33	61	25	43
Other operating income	4	3	4	6	2
<b>Core income</b>	<b>783</b>	<b>652</b>	<b>622</b>	<b>550</b>	<b>513</b>
Operating expenses and depreciation	-426	-365	-327	-309	-300
<b>Core earnings before impairment</b>	<b>357</b>	<b>287</b>	<b>295</b>	<b>241</b>	<b>213</b>
Impairment of loans and advances and accounts receivable, etc. excl. sector assignments	-156	15	-11	-35	-48
<b>Core earnings after impairment</b>	<b>201</b>	<b>302</b>	<b>284</b>	<b>206</b>	<b>165</b>
Other market value adjustments	-117	-11	27	37	22
<b>Profit after market value adjustments</b>	<b>84</b>	<b>291</b>	<b>311</b>	<b>243</b>	<b>187</b>
Sector assignment - Banking Package I	-26	0	0	0	0
Sector assignment - impairment of loans and advances and accounts receivable, etc.	-20	0	0	0	0
<b>Profit after expenses to sector assignments</b>	<b>38</b>	<b>291</b>	<b>311</b>	<b>243</b>	<b>187</b>
Badwill resulting from merger recognised as income	251	0	0	0	0
Merger costs	-35	0	0	0	0
<b>Profit before tax</b>	<b>254</b>	<b>291</b>	<b>311</b>	<b>243</b>	<b>187</b>
Tax	4	-69	-72	-65	-47
<b>Profit for the year</b>	<b>258</b>	<b>222</b>	<b>239</b>	<b>178</b>	<b>140</b>
<b>Balance sheet (DKK m)</b>					
Loans and advances	24,069	14,563	11,531	9,037	7,213
Deposits	16,643	9,174	7,671	7,005	5,903
Shareholders' equity	2,200	1,714	1,656	1,404	1,312
Total assets	32,218	18,513	14,300	11,420	9,086
Guarantees	6,459	5,439	4,609	4,325	3,251
Business volume	47,171	29,176	23,811	20,367	16,367

<b>Financial Highlights</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Key figures</b>					
Solvency ratio <sup>1</sup>	9.8%	9.1%	11.2%	11.3%	11.7%
Solvency ratio calculated incl. impairment pertaining to transfer of assets in connection with merger <sup>1</sup>	10.7%	9.1%	11.2%	11.3%	11.7%
Core capital ratio <sup>1</sup>	6.4%	7.3%	9.8%	10.7%	12.3%
Core capital ratio calculated incl. impairment pertaining to transfer of assets in connection with merger <sup>1</sup>	7.3%	7.3%	9.8%	10.7%	12.3%
Return on equity before tax <sup>2</sup>	13.0%	17.3%	20.3%	17.9%	15.1%
Return on equity after tax <sup>2</sup>	13.2%	13.2%	15.6%	13.1%	11.3%
Earnings/costs <sup>3</sup>	1.38	1.83	1.92	1.71	1.54
Cost percentage <sup>4</sup>	47.0%	56.0%	52.6%	56.2%	58.5%
Employees calculated as full-time staff (average)	471.7	431.7	405.5	378.9	372.2
Interest rate risk <sup>5</sup>	2.9%	2.1%	2.1%	0.9%	1.3%
Foreign exchange position <sup>6</sup>	25.4%	99.6%	3.0%	3.3%	8.2%
Foreign exchange risk	0.1%	0.1%	0.0%	0.0%	0.1%
Excess coverage in compliance with statutory liquidity requirements <sup>7</sup>	71.6%	47.5%	19.4%	31.2%	23.8%
Loans and advances plus impairment of these relative to deposits	146.4%	160.6%	153.0%	132.2%	126.6%
Loans and advances relative to shareholders' equity <sup>10</sup>	10.9	8.5	7.0	6.4	5.5
Growth in loans and advances for the year	65.3%	26.3%	27.6%	25.3%	13.4%
Sum of large commitments <sup>8</sup>	80.5%	125.4%	44.4%	29.7%	10.2%
Accumulated impairment percentage <sup>9</sup>	1.1%	0.9%	1.3%	1.7%	2.7%
Accumulated impairment percentage incl. transferred OEI-impairments and impairment pertaining to transfer of assets in connection with merger	3.9%	0.9%	1.3%	1.7%	2.7%
Impairment percentage for the year	0.6%	-0.1%	0.1%	0.3%	0.4%
Profit for the year, per share (unit size DKK 10)	25.3	26.3	27.8	20.5	15.8
Equity value, per share (unit size DKK 10)	180.3	207.4	191.1	164.7	148.0
Dividend, per share (unit size DKK 10)	0.0	5.0	5.0	3.0	3.0
Price of vestjyskBANK shares at the end of the year	46.0	289.9	312.2	256.6	222.5
Market price/profit for the year, per share (unit size DKK 10)	1.8	11.0	11.2	12.5	14.1
Market price/equity value, per share (unit size DKK 10)	0.3	1.4	1.6	1.6	1.5

1 2008 has been assessed according to the new Executive Order on Capital Adequacy. 2007 has been assessed according to transitional provisions herein. The comparative financial statements prior to 1 January 2007 have not been restated.

2 On the basis of average shareholders' equity

3 Ordinary income relative to ordinary costs  
Ordinary income = net interest and fee income + market value adjustments + other operating income

Ordinary costs = staff costs and administrative expenses + depreciation and impairment of intangible and tangible assets + other operating expenses + impairment of loans and advances and accounts receivable, etc.

4 Costs incl. depreciation and impairment of assets / core income

5 Interest rate risk relative to core capital after deductions

6 Foreign Exchange Indicator 1 relative to core capital after deductions

7 Excess coverage in compliance with the 10% requirement of Section 152 of the Danish Financial Business Act

8 Commitments larger than 10% of the capital base relative to the capital base

9 Excl. transferred OEI-impairments and impairment pertaining to transfer of assets in connection with merger

10 Growth in loans and advances for the year relative to vestjyskBANK's loans and advances at the beginning of the year

# Management's Report

## Report



### Profit

As a result of the takeover of Bonusbanken and the merger with Ringkjøbing Bank, vestjysk-BANK's income statement for 2008 is highly atypical. Bonusbanken was taken over as at 30 September 2008, meaning that the operations of the former Bonusbanken are included in the income statement for the period 1 October 2008 to 31 December 2008. The merger with Ringkjøbing Bank was approved on 2 December 2008. Consequently, the operations of Ringkjøbing Bank are included in the income statement for the period 3 December 2008 to 31 December 2008. Thus, comparison with previous years is not meaningful.

The annual result for vestjyskBANK for 2008 shows a pre-tax profit of DKK 254m and a profit after tax of DKK 258m. Profit before tax, negative market value adjustments and badwill stemming from the merger show a surplus of DKK 61m, which deviates considerably from Management's most recently announced expectations of a profit of 165m before market value adjustments. The deviation is due to core earnings before impairment being DKK 73m higher than expected, from which must be deducted merger costs of DKK 35m, costs of DKK 26m relating to Banking Package I and further impairment of loans and advances of DKK 116m, of which DKK 20m stem from impairment of commitments with the financial institution sector.

Despite the deviation compared to the most recently announced expectations, Management considers the result acceptable, given the economic decline.

Core earnings before impairment were realised at DKK 357m and are DKK 73m higher than expected, which is considered perfectly satisfactory, given the lower level of macroeconomic activity.

The annual result for 2008 has been impacted by the following significant factors relating to the merger with Ringkjøbing Bank and the takeover of Bonusbanken:

- The badwill stemming from the merger with Ringkjøbing Bank, totalling DKK 456m, has been used to cover value adjustment on loans and advances amounting to DKK 273m and the increase in tax assets amounting to DKK 68m while the remaining net amount of DKK 251m has been credited under other operating income. The merger badwill represents the difference between Ringkjøbing Bank's equity and the market value of 39,000 vestjyskBANK shares, as at 2 December 2008. This accounting procedure is a statutory requirement and a conclusion of the difference between the balance value of Ringkjøbing Bank's loans and advances and estimated trade value of Ringkjøbing Bank's loans and advances, as at 2 December 2008.
- Accumulated impairments totalling DKK 1,212m, of which only DKK 303m is included in the key figure, accumulated impairment percentage, since the remaining DKK 909m is attributable to acquired impairment and value adjustments relating to the merger with Ringkjøbing Bank.
- Total expenses related to the merger and the takeover of Bonusbanken amount to DKK 35m while withdrawal expenses in respect of Bankdata amount to DKK 29m. All expenses relating to the takeover of Bonusbanken have been paid.

For a more in-depth explanation, see Accounting Policies, page 42.

In addition, the following significant conditions impacted on the annual result for 2008:

- Total expenses relating to Banking Package I, Det Private Beredskab (the banking sector's contingency association) and the Winding-Up Company amount to DKK 46m.
- Furthermore, impairment of loans amounts to DKK 156m.
- Net negative market value adjustments amount to DKK 58m. Market value adjustments were positively impacted to the tune of DKK 39m as a result of the Bank's amended cooperation agreement with Totalkredit/Nykredit, whereby deferred adjustment was finally agreed. Furthermore, the agreement resulted in the cancellation of DKK 800m worth of loss guarantees due to vestjyskBANK's transition to the off-setting model.

#### Adjustment of Business Volume

At the end of 2008, business volume amounted to DKK 47.2bn, of which approximately 13.6bn stems from Ringkjøbing Bank and approximately 2.6bn stems from Bonusbanken. The total business volume is calculated as the Bank's total commitments in respect of loans and advances, deposits and guarantees, etc. At the end of the year, the Bank's loans and advances amounted to DKK 24.1bn, its deposits to DKK 16.6bn and its guarantees, etc. to DKK 6.5bn.

During the course of the year, efforts have been made to narrow the gap between loans and advances and deposits. At the beginning of 2008, the total gap between loans and advances and deposits amounted to DKK 9.4bn for vestjyskBANK, Bonusbanken and Ringkjøbing Bank. At the end of 2008, this figure amounted to DKK 8.1bn. During 2008, there has been intense focus on deposits, which increased by a total of DKK 2.2bn for the three units combined.

At the end of 2008, customers' securities held in custody amounted to DKK 7,756m.

See graph entitled "Business Volume Development"

#### Core Income

2008 was a satisfactory year in terms of income from banking operations. Net interest income increased as a result of the increased margin on loans and advances, and income from the commission for providing mortgage loans and money transmission services is also at a satisfactory level. However, there has been a decline in fee income from customers trading in securities as a result of falling exchange rates and a general lower level of activity in this area.

Again in 2008, total net interest income and fees earnings developed satisfactorily, amounting to DKK 720m, which reflects the increase in business volume and higher commission and fees for providing mortgage loans, money transmission services and securities management.

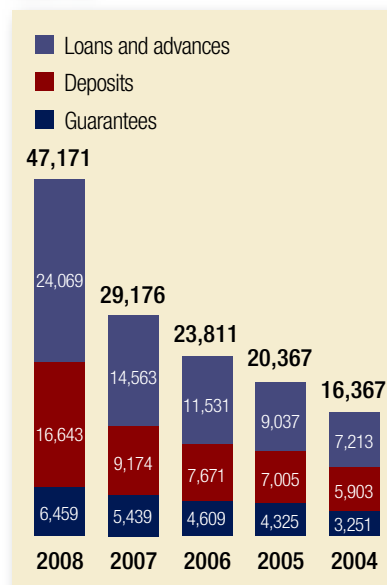
In 2008, fees and commissions amounted to DKK 158m.

See graph entitled "Fees and Commissions" for distribution

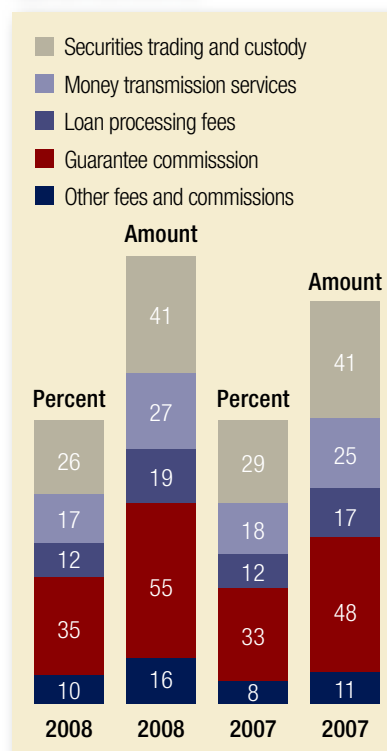
#### Expenses

Total expenses, inclusive of depreciation and impairment of tangible assets, amount to DKK 461m, compared with DKK 365m in 2007 – an increase of more than 26%. The increased expenses are primarily attributable to the aforementioned unprecedented conditions (expenses in connection with the merger with Ringkjøbing Bank and the takeover of Bonusbanken) in evidence during 2008.

#### Business Volume Development (DKK m)



#### Fees and Commissions (percent and DKK m)



# Management's Report

## Report

The Bank's objective continues to be a maximum cost percentage of 50% – however, not before 2010 and excluding the cost of Banking Packages. It is expected that this figure will be achieved as a result of synergies resulting from the merger and general streamlining.

At the beginning of the year, the Bank opened a new branch in Horsens. Furthermore, an extensive refurbishment was carried out on the Bank's buildings in Viborg and Struer, and the extension of the Bank's head office in Lemvig is in progress. These factors have also affected cost levels in 2008.

### Market Value Adjustments

Despite the Bank following a cautious investment policy, the financial crisis has had a major adverse impact on the price of the Bank's securities in 2008.

Both short-term and long-term bond interest increased in 2008, and the credit spread expanded noticeably. This has resulted in a debt discount on the Bank's bond holdings.

As withdrawals are made from holdings during 2009, bond holdings will decrease since a reduction in overall holdings is desirable to the extent that the cash flow situation makes it possible.

The turbulence in stock markets has been particularly intense, especially in the field of financial shares, which has had a negative impact on the Bank's earnings from its shareholdings, despite its limited holdings apart from shares held in sector companies.

The negative market value adjustments of DKK 58.0m for the year are composed of negative market value adjustments on bonds totalling DKK 12.4m, negative market value adjustments

on shares totalling DKK 27.0m, negative market value adjustments on derivative financial instruments totalling DKK 27.8m, negative market value adjustments on other assets and liabilities totalling DKK 0.8m and positive market value adjustments on foreign exchange totalling DKK 10m. Market value adjustments on shares benefited from the above-mentioned earnings of DKK 39m stemming from Totalkredit and an additional profit on equity investments in jointly-owned sector companies, totalling DKK 10m.

As a consequence of the extremely expanded credit gap that has arisen on corporate bonds, vestjyskBANK chose to make use of the option to reclassify corporate bonds worth nominally DKK 33m from the account item "Bonds for lending". In so doing, the capital loss on bonds was reduced by DKK 19m, which has affected solvency positively by 0.1 percentage points.

### Impairment of Loans and Advances and Accounts Receivable, etc.

As the financial crisis intensified at the end of 2008, the need for impairment has grown significantly, in particular in the final quarter of 2008. For the whole of 2008, impairment amounts to DKK 176.0m, whilst in the final quarter alone this amount totals DKK 128.9m.

The need for impairment has been in evidence over a broad spectrum of the Bank's corporate customers and on commitments with the financial institution sector totalling DKK 42.7m. On the whole, total impairments were not impacted by impairments in Bonusbanken and Ringkjøbing Bank since they were made before these parts of the business were included in vestjyskBANK's operations.

Impairment for the year represents 0.6% of total loans and advances and guarantees at the



end of 2008, compared with -0.1% in 2007. The accumulated impairment percentage at the end of 2008 is 1.1% compared with 0.9% last year. It should be noted, however, that accumulated impairment of loans and advances in Ringkjøbing Bank and Bonusbanken have not been included in this total. Acquired accumulated impairment and trade impairments amount to DKK 909m and will effectively be used as provisions for losses. The accumulated impairment percentage, including these impairments, amounts to 3.9%.

#### Capital and Liquidity Structure

##### Shareholders' Equity

At the end of 2008, shareholders' equity amounted to DKK 2,200m. Changes in shareholders' equity since the end of 2007 are shown in the statement of changes in shareholders' equity.

In 2008, vestjyskBANK's share capital increased by DKK 39m, after the General Meeting adopted a resolution on 2 December 2008 to give effect to the merger with Ringkjøbing Bank. This expansion was used to exchange Ringkjøbing Bank shares for vestjyskBANK shares. Subsequently, share capital will amount to DKK 125m.

##### Subordinated Debt

At the end of 2008, subordinated debt amounted to DKK 1,172.5m. In the first quarter of 2008, vestjyskBANK took out a loan of DKK 250m as additional capital. This loan has been included in the capital base as tier II capital - supplementary capital. Furthermore, the Bank has acquired loans totalling DKK 458.5m as supplementary capital from Ringkjøbing Bank in connection with the merger and loans of DKK 50m as supplementary capital from Bonusbanken.

*See the tables entitled "Supplementary capital distributed by maturity date" and "Supplementary capital distributed by possible settlement date"*

##### Solvency

The capital base amounts to DKK 2,881.9m which, when coupled with risk-weighted items totalling DKK 29.4bn, gives a solvency ratio of 9.8%. Solvency has been negatively impacted by the aforementioned market value adjustment in connection with the merger with Ringkjøbing Bank. Therefore, an alternative calculation of the capital requirement has been performed, where impairment pertaining from transfer of assets, corrected for tax, is included in the statement, whereby solvency is improved by 0.9 percentage points to 10.7%. The takeover of Bonusbanken's assets has had a negative impact on solvency of approximately 0.7 percentage points.

With effect from 1 January 2007, new capital requirement rules were introduced. vestjyskBANK uses the comprehensive method for the purpose of calculating credit risk. To calculate operational risks, the basic indicator method is used, whereas the standardised method is used to calculate market risks.

The recently adopted Banking Package II has enabled the Bank to apply for an injection of hybrid core capital, so that the core capital percentage rises to 12%. Until now, Management has not focussed on the core capital percentage but on the solvency percentage alone. This has been made apparent by the fact that, until now, the hybrid core capital has only represented a limited proportion of supplementary capital.

The Management of vestjyskBANK has nevertheless decided to recommend to the General

#### Supplementary capital distributed by maturity date (final end date)

2012	60,000,000
2013	250,000,000
2014	278,662,000
2015	261,759,000
2016	225,000,000
PERP	97,041,000
	<b>1,172,462,000</b>

#### Supplementary capital distributed by possible settlement date (1st call date)

2009	60,000,000
2010	361,759,000
2011	278,662,000
2012	150,000,000
2013	225,000,000
2014	-
2015	97,041,000
	<b>1,172,462,000</b>

#### Committed Loans and Issued Bonds Distributed by Maturity Date

2009	2,319,000,000
2010	3,451,000,000
2011	1,357,000,000
2012	969,000,000
	<b>8,096,000,000</b>

# Management's Report

## Report

Meeting that the Bank should join the scheme in order to ensure that the capital framework remains satisfactory and takes account of current uncertain conditions. It is expected that hybrid core capital of DKK 1.4bn-1.7bn will be injected.

### Liquidity

Due to the financial crisis, liquidity in the financial sector was rather sluggish at the beginning of 2008, which is why the conditions under which banks could borrow money from the National Bank of Denmark were relaxed. The Bank was first offered the opportunity to mortgage bonds issued by other banks and subsequently the opportunity to mortgage sector shares and take out loans in respect of the portion of its capital base which exceeded the 9% solvency ratio. Finally, the State Guarantee Scheme was adopted, whereby the state guarantees any debt that is not subordinated by 30 September 2010 (Banking Package I).

On the basis of vestjyskBANK's conservative credit policy and the high quality of its loan commitments, the Bank's loans and advances have traditionally been larger than its deposits. Therefore, in recent years the Bank has raised committed loans and issued bonds, made available by both Danish and foreign credit institutions, to the total value of DKK 8.1bn. Repayment schedules for these loans and bonds are shown in the tables on page 15.

vestjyskBANK will continue its efforts to reduce the shortfall in deposits. During the course of 2008 the total shortfall in deposits for vestjyskBANK, Ringkjøbing Bank and Bonusbanken combined was reduced by DKK 1.3bn.

At the start of 2009, the Bank's liquidity situation is good and excess coverage in com-

pliance with statutory liquidity requirements has increased from 47.5% at the end of 2007 to 71.6% at the end of 2008. It is the Bank's goal that its excess coverage should be at least 50-70% in compliance with statutory liquidity requirements. Consequently, the Bank is achieving its goal.

Banking Package II offers the option of a transitional scheme for the state guarantee, whereby the Danish state guarantees any debt that is not subordinated by 30 September 2010. The transitional scheme consists of a separate state guarantee in respect of loans taken out before the end of 2010. This guarantee is valid until the end of 2012. The Management of vestjyskBANK has not yet taken a position on whether the Bank should make use of the transitional scheme.

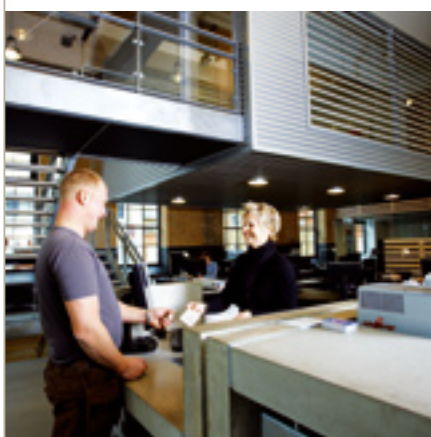
### Distribution of Profit for the Year

In accordance with the Guarantee Scheme, which was set up in conjunction with the new Financial Stability Act, the participants in the scheme have committed themselves to not paying out dividends. For this reason, the entire profit for the year will be added to the Bank's equity.

### Expectations for 2009

Against the backdrop of the merger with Ringkjøbing Bank and the takeover of Bonusbanken, it is expected that 2009 will be a year of consolidation for vestjyskBANK.

As a result of these developments, the Bank's business volume has already increased considerably, and in 2009, focus on the Bank's consultancy concepts shall guarantee us increased business from our customers. In our endeavours to strike a better balance between the Bank's deposits and its loans and advances,





we will continue to make every effort to attract further deposits. On the loans and advances side, we expect that a proportion of our current commitments will be changed to mortgage loans as a result of the high interest rates in the money market and increased marginals. It is expected that redeemed loans will, in part, be replaced by new loans and advances to existing and new customers without this giving rise to growth in loans and advances in 2009. Consequently, we have budgeted for an unchanged to slightly decreasing business volume in 2009, with increasing deposits, no change in loans and advances and decreasing guarantees.

Our efforts to effect integration of the organisations will be intensified in 2009 so that synergies of approximately DKK 75m per annum can be fully realised from 2010 and beyond.

Core earnings in 2009 have been budgeted at DKK 500 – 550m before impairment of loans and advances and the cost of Banking Packages I and II.

Impairment of loans and advances is expected to amount to 0.50-1.0% of loans and advances and guarantees. The uncertainty of this item is large against the backdrop of the turbulent economic conditions.

#### **Management Line-up**

At the 2008 General Meeting, Søren Broe Langer expressed a wish to step down from his posts on the Bank's Board of Representatives and the Board of Directors. Peter Mortensen, a master butcher from Lemvig, was appointed to his post.

The following members have joined the Board of Directors following the merger with Ring-

kjøbing Bank:  
Director Poul Hjulmand, Lem and  
Carl Olav Birk Jensen, Ringkøbing

At the same time, the Executive Management was expanded with the addition of Managing Director Preben Knudsgaard, Ringkøbing.

Following the merger with Ringkøbing Bank, amendments were made to the Bank's Articles of Association, and the Board of Representatives was abolished. Therefore, in future, the Board of Directors will be directly elected at the General Meeting.

#### **Related Parties**

vestjyskBANK's related parties with significant influence include the Bank's Board of Directors, its Executive Management and executive staff, as well as their family members. In the 2008 financial year, no transactions other than regular executive remunerations have taken place with the Bank's related parties.

#### **Uncertainty in Connection with Recognition and Measuring**

The largest uncertainty in connection with recognition and measuring lies in the impairment of loans and advances. The Bank continuously strives to improve its methods of recognition and measuring in this area, and deems that the uncertainty related to measuring commitments is larger than previous years due to the economic conditions.

#### **Events after the End of the Financial Year**

No circumstances have occurred between the balance sheet date and today's date that might distort the evaluation of the Annual Report.



# Management's Report

## Risk Management

In accordance with the Danish Financial Business Act, the reporting requirement of the Capital Adequacy Executive Order (Pillar III) and other executive orders and guidelines, vestjyskBANK publishes detailed information regarding risk, capital structure, capital adequacy, risk management etc. As a result of this, we have prepared "The Risk Report 2008". The report can be viewed at [www.vestjyskbank.dk](http://www.vestjyskbank.dk). The following section provides an outline of vestjyskBANK's risk management.

vestjyskBANK's Board of Directors lays out the overall framework and policies for risk and capital structure, according to which the Bank's Executive Management and other executive staff manage the Bank's risks. The Board of Directors is regularly updated on risk development and on how well the risk frameworks are being utilised. The day-to-day management of risk is handled by the Pension & Investment departments, as well as by the Credit Department. The Finance Department carries out independent control.

### Credit Risk

The credit area comprises a very significant part of vestjyskBANK's business. This area covers loans and advances, credits, guarantees and other financial services. The Bank has a prudent risk profile. We strive at all times to maintain good quality in our asset mass, in order to secure a stable foundation for future growth.

In accordance with the Danish Financial Business Act, no commitment with a single customer or a number of customers who are all part of the same group may exceed 25% of a bank's capital base. To ensure a suitable spread across industries and customers, the Bank will only in exceptional cases take on commitments that exceed

10% of the Bank's capital base. In this manner, vestjyskBANK seeks, in its issuance of credit, to ensure that singular commitments, including those to groups of companies, do not constitute a danger to the Bank's existence. At the end of 2008, large commitments totalled 80.5% of the capital base, of which mortgage credit institutions accounted for 21.8%. Disregarding mortgage credit institutions, the Bank only has four commitments which exceed 10%.

The 10 largest commitments constitute 10% of vestjyskBANK's total loans and advances and guarantees, which is a reasonable spread, in the Management's view.

In its general management of credit risks, vestjyskBANK ensures a suitable spread, so that no individual industries, geographic concentrations or specific types of securities begin to constitute a disproportionately high credit risk.

When credit assessing corporate commitments, vestjyskBANK emphasises that the customer's business concept must be viable, and that the customer must possess the necessary competencies. An important aspect of the Bank's credit assessment is analysing the customer's accounts and budgets.

When credit assessing retail customers, the customer's disposable income and assets are the deciding factors. vestjyskBANK segments customer commitments into different risk groups. To ensure correct segmentation, vestjyskBANK uses different systems. Segmentation is an important aspect of how the Bank manages credit risks.

71% of vestjyskBANK's loans and advances and guarantees are distributed to corporate customers and 29% to retail customers.



The need for both individual and group impairment and provisions for loss on credit commitments is assessed on a regular basis. The Bank carries out impairment on commitments that carry objective indications of value decrease, to ensure that any expected risk of loss is hedged. Impairment is carried out using a set of overriding criteria.

At the end of 2008, loans and advances with terminated interest payments amounted to DKK 501m which corresponds to 2.1% of the Bank's total loans and advances.

Commitments that show signs of weakness, e.g. because of poor earnings or a flimsy capital base, are monitored closely, so that the Bank may intervene in due time, in order to avoid carrying out impairments because of value decline. Collective impairment is performed by The Bank on the basis of a segmentation model developed by the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark, an industry organisation. This model is based on a series of macroeconomic variables.

#### **Liquidity Risk**

vestjyskBANK's cash flow position is monitored closely as part of the Bank's daily cash flow management. Cash flow management centres on the objective of ensuring a cash flow position which is adequate to cover expected loans and cash movements, as well as always ensuring sufficient cash flow to cover normal deviations in the amount of deposits made. The cash flow position consists of liquid securities, drawing rights in the National Bank of Denmark and pledged, undrawn loans at other credit institutions.

#### **Market Risks**

The risk that the market value of the Bank's

financial assets and liabilities may change because of changes in market conditions is referred to as "market risks". Engaging in market risks is a natural part of the Bank's business, which affects the total income of the Bank. Market risks are monitored, and adherence to the guidelines which have been laid down is checked on a daily basis. Deviations are immediately reported to the Executive Management.

#### *Interest Rates*

The interest rate risk is calculated – according to the Danish Financial Supervisory Authority – as the total risk of loss, given a general change in the level of interest rates of 1 percentage point. The total interest rate risk covers the risk on both bonds and fixed-interest loans and advances and deposits. The Bank uses interest swaps to wholly or partly hedge the interest rate risk on fixed-interest loans and advancements and deposits, as part of risk management.

At the end of 2008, the total interest rate risk was DKK 54.0m which, measured against core capital, amounts to 2.9%, compared with 2.1% in 2007.

#### *Shares*

The share risk is calculated on the basis of the sum invested in shares and share-related products. At the end of 2008, the share risk amounted to 32.8% of the core capital, compared with 22.3% in 2007. Approximately 80% of the Bank's share portfolio comprises shares held in companies with which the Bank cooperates.

#### *Foreign Exchange*

At the end of 2008, the foreign exchange risk stood at 25.4% of core capital, compared with 99.6% at the end of 2007. The scale of the risk



# Management's Report

## Risk Management

is mainly attributable to a position in Euro. The risk is measured through key figure Foreign Exchange Indicator 1, which is calculated according to the guidelines of the Danish Financial Supervisory Authority.

### *Derivative Financial Instruments*

Derivative financial instruments are used, both by the Bank's customers and the Bank, to hedge and manage financial risks as well as take positions.

Derivative financial instruments are included in the assessment of the Bank's market risks, as they can be assigned to each of the three underlying risk types.

### **Operational Risks**

vestjyskBANK views dependence on key employees as an area of focus. We continuously work to minimise this dependence on key employees, for instance through written business procedures, centralisation of tasks, and by outsourcing work which has no bearing on the Bank's competitiveness.

vestjyskBANK continuously works on policies

and contingency plans, in case of physical disasters and IT breakdowns. The Bank is a member of Bankernes EDB Central (BEC), which is in charge of daily operations of the computer systems. The Bank follows the directions and recommendations which it receives from BEC and undertakes no independent development of IT systems.

The Bank's contingency plans for IT cover breakdowns at Head Office and parts of the Bank's branch network. In the case of a breakdown at one or more branches, operations may be continued at other branches, and in the case of longer-lasting breakdowns at Head Office, the key functions may be carried out at branches. The Bank's contingency plans are evaluated at least once a year by the Board of Directors.

### **Risks Relating to Capital Base**

So far Management has set a solvency target of 10-12%.

The capital base is monitored on a daily basis, and the Board of Directors receives monthly updates based on pre-determined guidelines.





# Management's Report

## Corporate Governance



vestjyskBANK bases its Corporate Governance policy on recommendations from the Committee for Good Corporate Governance, established by NASDAQ OMX Copenhagen, Recommendations for the Members of the Danish Bankers Association, as well as the conditions for participation in the NASDAQ OMX Copenhagen Midcap+ index.

The Bank's policies follow these recommendations and are divided into the following main sections:

- The role of shareholders and their interplay with Management
- The role of stakeholders and their importance to the company
- Openness and transparency
- The Board of Directors' tasks and responsibilities
- The composition of the Board of Directors
- Remuneration of the Board of Directors and the Executive Management
- Risk management
- Auditing

According to the Rules for Issuers of Securities at NASDAQ OMX Copenhagen an explanation of vestjyskBANK's position in relation to the Recommendations for Good Corporate Governance, last amended on 10 December 2008, must be provided. The "Comply or Explain" principle must be applied.

It is the Board of Directors' opinion that vestjyskBANK complies with the majority of the recommendations. Where this is not the case, the Board of Directors has decided to provide in-depth comments, as follows:

Building and maintaining good relations with the Bank's stakeholders – customers, share-

holders, suppliers, employees and the local community – is the basis for vestjyskBANK's continued success and development. This is why the Bank focuses on openness and transparency in its corporate governance.

### **The Role of Shareholders and their Interplay with Management**

It is the goal of the Bank to remain an independent and complete financial company, rooted locally, with a broad customer and shareholder base. Based on this, the shareholders have decided at the Annual General Meeting that the voting rights restrictions should be set at 3%. The Board of Directors considers that voting rights restrictions underpin the Bank's goal of remaining independent, thereby ensuring that business develops to the advantage of customers, shareholders and other stakeholders. vestjyskBANK holds a shareholders' meeting every year, following the Annual General Meeting. Approximately 2,500 shareholders attend these meetings. In the Board of Directors' opinion, abolition of the restrictions on voting rights might result in the Bank's shares becoming subject to short-term speculation, which the Board of Directors believes would not be in the interests of the shareholders, customers, employees or local community.

At present, therefore, the Board of Directors has no intention of proposing any amendments to the Bank's Articles of Association in this respect, apart from the possible effects of signing up for Banking Package II.

### **Openness and Transparency**

vestjyskBANK generally strives for as much openness as possible in its bank matters. The Board of Directors and the Executive Management continuously work to improve communication and the level of information vis-à-vis the

Bank's partners, so that all communication regarding the Bank is made public in a trustworthy and adequate manner. The information should give a fair representation of vestjyskBANK's financial conditions, strategy and expectations of the future. During the course of the year, the Bank's Management communicates with shareholders through the Bank's website and via the shareholder and customer magazine Fjordternen. Furthermore, press releases are submitted in connection with yearly, half-yearly and quarterly results, as well as when it is deemed necessary to communicate a message to the public. The Bank's website also includes an investors' portal, which contains relevant and updated information for shareholders and other stakeholders. The portal contains all Stock Exchange notices and investor presentations made public, the annual profile brochure, the current share price etc. Most of the content on the investors' portal is also available in English. However, the benefits of a complete English-language version of the website have not been deemed sufficient to justify the time necessary to establish and maintain it.

#### **Board of Directors and Executive Management**

Members are elected to the Board of Directors for a period of three years; re-election is possible. In accordance with legislation, the Bank's employees also elect a number of additional members for the Board of Directors. At present, the Board of Directors consists of 8 members, 6 of whom are elected by the shareholders. Immediately following the Annual General Meeting, the Board of Directors constitutes itself and elects a chairman and vice-chairman.

The Board of Directors has considered whether or not it would be appropriate to set a limit on the total number of terms a member can sit on

the Board, but has taken the view that there is at present no need to impose such a limit.

Members of the Board of Directors must retire at the first Ordinary General Meeting after the date on which they reach 67 years of age.

The Board of Directors does not consider the number of management posts which members have undertaken to be relevant in this regard, but rather the workload associated with the posts. The members' other directorships and the amount of time they devote to them is assessed on a continuing basis.

The Board of Directors does not find any need for a schematic evaluation of the Board of Directors or the Executive Management, or the collaboration between them. However, this question is discussed by the Board on a regular basis.

Having regard to the Bank's size and complexity, the Board of Directors has taken the view that there is no need to set up Board Committees and that the frequency of Board meetings makes it possible for all significant discussions to be held and resolutions adopted in plenary.

The Board of Directors is mindful of the requirement to set up an Auditing Committee, with effect from the General Meeting in the 1st quarter of 2009. Further guidelines relating to this are expected before the committee is set up.

It is the Bank's goal that the members of the Board of Directors should represent a broad palate of business knowledge and experience, given the comprehensiveness of the Bank's activities.

It is the task and responsibility of the Board of Directors to be in charge of the overall man-



# Ledelsesberetning

## Corporate Governance

agement of vestjyskBANK, which includes determining the Bank's general policies and objectives. It is, furthermore, the task of the Board of Directors to assess the Bank's organisation, e.g. internal auditing and accounting, budgeting and IT. Furthermore, the Board of Directors is obliged to follow up on business plans, budgets, etc., and to assess reports concerning the Bank's liquidity, financing conditions, cash flow, significant transactions and special risks.

In its Rules of Procedure, the Board of Directors has laid down specifics governing the performance of its task. The Board of Directors' Rules of Procedure are regularly evaluated and revised. The Rules of Procedure are drawn up in accordance with legislation and the Danish Financial Supervisory Authority's regulations, and contain guidelines governing the work of the Board of Directors, including the cooperation between the Board of Directors and The Executive Management. It is the task of the Board of Directors to appoint the Executive Management, which is in charge of the day-to-day management of the Bank. The Board of Directors also appoints the internal chief auditor.

Every spring, the Board of Directors conducts a seminar, at which is laid out the framework for next year's work, as far as it concerns the Bank's overall strategic management, the financial and managerial control of the Bank, as well as the continued assessment of the Executive Management's work. Board meetings are held every month, except July.

Remuneration to the members of the Board of Directors and Executive Management salaries are posted in the Annual Report. Members of the Board of Directors receive an annual remuneration. The Executive Management

is salaried, and the terms and conditions of employment, including severance terms, follow normal practice and are assessed continuously. Neither the Board of Directors nor the Executive Management is remunerated with share options, and the Executive Management is not remunerated according to any incentive scheme. The Board of Directors does not find information concerning the salaries and fees paid to the individual employees of the Bank to be relevant to the public. The Board of Directors considers that the information which is contained in the Annual Report on the salaries and fees paid to the Board and the Executive Management is comprehensive. Given that it operates no special pay agreements, the Bank has not drawn up a remuneration policy.

On vestjyskBANK's website and in the Annual Report a list of the members of the Board of Directors and their election term is found. The list indicates whether members of the Board of Directors hold directorships or managerial seats of any other companies, Danish or foreign.

### **Risk Management**

vestjyskBANK's Board of Directors has, in a series of communiqués to the Executive Management, laid down a framework and a number of policies to safeguard the Bank. The Board of Directors is, at all times, conscious of risk management, and continued and detailed reporting is carried out at all Board meetings. In accordance with the Basel II Accord, all risk areas are covered in detail in a separate risk report, which is accessible at the Bank's website [www.vestjyskbank.dk](http://www.vestjyskbank.dk).



# Management's Report

## Capital Structure and Ownership

### Capital

vestjyskBANK's share capital amounts to DKK 125m and is denoted as a single share class. The entire share capital is listed on the NASDAQ OMX Copenhagen.

The nominal value of a share is DKK 10, and there are 12.5m shares. A share must be registered in a specific name in order to qualify for a voting right. The shares are freely convertible. No shareholder is obliged to redeem his/her shares fully or in part. No shares are attributed any special rights. Each DKK 10 share carries one vote. No individual is permitted, through his/her own votes or through a proxy issued by a party other than the Board of Directors, to vote on the basis of more than 3% of the share capital.

No shareholder has informed the Bank in accordance with Article 28a of the Danish Public Companies Act that he/she owns more than 5% of the total share capital.

At the General Meeting on 6 March 2008 the Board of Directors was authorised to acquire own shares up to a nominal value of 10% of the share capital. vestjyskBANK owns 294,000 of its own shares, corresponding to 2.4%.

Following the exchange of Ringkjøbing Bank's shares for vestjyskBANK's at the end of 2008, the Bank had 44,637 registered shareholders, who own 95.9% of the share capital. The 10 main shareholders own 19% of the share capital, while 70% of the share capital is subscribed to by 4,392 shareholders. The shareholding structure is characterised by a large number of shareholders who own minority holdings, but also by a number of major, institutional investors who follow the Bank's development on a professional level, thereby ensuring good corporate governance at vestjyskBANK.

For any amendment to the Bank's Articles of Association to be valid, at least one half of the share capital must be represented at the General Meeting. Any motion proposed must be adopted with at least both 2/3 of the votes cast and 2/3 of the voting share capital represented at the General Meeting. Where half the share capital is not represented at the General Meeting, and where a motion is otherwise adopted by both 2/3 of the votes cast and 2/3 of the share capital represented, the Board of Directors will convene a new General Meeting within 14 days, at which the motion may be adopted by 2/3 of the votes cast, irrespective of the proportion of the represented capital. Amendments to the Articles of Association proposed by the Board of Directors do not require half of the share capital to be represented.

Following the merger with Ringkjøbing Bank, amendments were made to the Bank's Articles of Association and the Board of Representatives abolished. In future, therefore, the Board of Directors will be directly elected at the General Meeting.

### Other Conditions

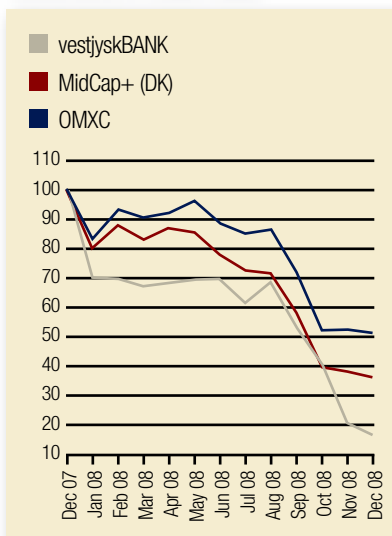
Apart from funding agreements, vestjyskBANK has not entered into any agreements which take effect or become subject to amendment or expiry in the event of the Bank being taken over as a result of a finalised takeover bid. Furthermore, no agreements have been entered into with the Bank's Management or employees regarding compensation in the case of a resignation or dismissal without due cause, or in the case of redundancies arising from a takeover bid.



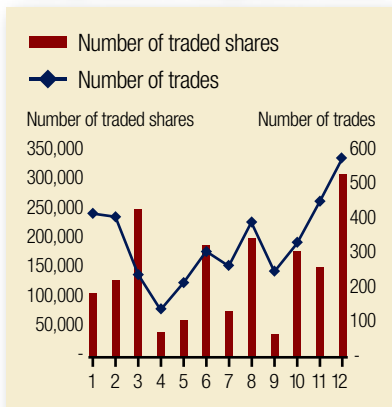
# Management's Report

## Information to Shareholders

### Movements in Share Index



### Trading Volume of vestjyskBANK Shares



### MidCap+

Since 1 July 2003, vestjyskBANK's share has been listed on the MidCap+ index, NASDAQ OMX Copenhagen's segment for medium-sized companies. The MidCap+ index includes medium-sized companies with good share liquidity, a high level of information and good investor management. Interest in the Bank's shares is solid, and it is the Bank's clear objective to remain a member of the MidCap+ index.

The closing rate of vestjyskBANK's shares was 46.00 at the end of 2008, compared with a closing rate of 290 at the end of 2007 – a decline of 84.1%. During the course of 2008, just under 1.7 million shares were traded at a total market value of DKK 262m.

See graphs entitled "Movements in Share Index" and "Trading Volume of vestjyskBANK Shares".

### Dividend Policy

vestjyskBANK's dividend policy is determined on the basis of the Bank's long-term solvency objectives. The Board of Directors assesses the need to repurchase shares on a yearly basis, taking into account the annual result, the need for continued growth, as well as the development of the share. The dividend percentage is then determined, based on a combination of solvency objectives and repurchase strategy.

In accordance with the Guarantee Scheme which was set up in conjunction with the Financial Stability Act - Bank Package 1, participants in the scheme have made a commitment that they will not pay out any dividends. For this reason, the entire profit for the year will be added to the shareholders' equity.

### Communication Policy and Investor Relations

The purpose of vestjyskBANK's communication policy and investor relations activities is to ensure the provision of quality and relevant information to NASDAQ OMX Copenhagen, other stock market stakeholders, present and potential shareholders, the media, analysts and brokers.

Such information must present a true and fair view of vestjyskBANK's financial position, strategy and expectations for the future. Information is disseminated to the market in accordance with NASDAQ OMX Copenhagen's rules, as well as in accordance with the obligations arising from the Bank's membership of the Stock Exchange's MidCap+ index, including releasing yearly, half-yearly and quarterly reports with all relevant specifications releasing the annual report in accordance with Danish law responding to all enquiries from investors in this regard making information available in Danish and English.

The full text of the Bank's communication and investor relations policies is available at [www.vestjyskbank.dk](http://www.vestjyskbank.dk).

### Website, Shareholder Magazine and Annual Profile Brochure

The Bank's website, [www.vestjyskbank.dk](http://www.vestjyskbank.dk), includes an investors' portal, which contains relevant and updated information for shareholders and other stakeholders. The portal contains all published company announcements, investor presentations on financial results, the current share price, annual reports and the "brochure" vestjyskÅRSPROFIL (vestjyskBANK Annual Profile).

The annual profile brochure contains an overview of the Bank's financial highlights. In it, we explain in informal terms what has happened in the past

year, and what we will be working on in order to benefit our customers in the year to come. The target group for the annual profile brochure encompasses all of the Bank's shareholders, potential as well as new customers, the media, etc. The brochure has a wide distribution and can also be viewed on the Bank's website.

The Bank publishes the shareholder and customer magazine Fjordternen twice a year. Fjordternen is distributed to shareholders and customers and can be viewed on the Bank's website. We will endeavour at all times to produce an ambitious and exciting magazine that will reinforce customers' and shareholders' interest in and preference for the Bank.

#### **Investor Relations Management**

Deputy Managing Director Kaj Damgaard is in charge of managing investor relations at vestjyskBANK. Shareholders and other stakeholders are welcome to contact him with any questions or comments. The Bank's contact with the stock market's stakeholders and any questions relating to the Bank's investor relations policy are handled by:

CEO

Frank Kristensen

vestjyskBANK

Torvet 4-5

DK-7620 Lemvig

Tel +45 96 63 21 01

fk@vestjyskbank.dk

Deputy Director

Kaj Damgaard

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kad@vestjyskbank.dk



# Management's Report

## Information to Shareholders

### General Meeting and Shareholders' Meeting

vestjyskBANK will be holding its Ordinary General Meeting on Wednesday, 11 March 2009, at 4 p.m. at Lemvig Idræts- og Kulturcenteret, Christinelystvej 8, 7620 Lemvig.

A shareholders' meeting will be held in Holstebro on Thursday, 12 March 2009, at 6 p.m. The venue is Musikteatrets koncertsal, Den Røde Plads 16, 7500 Holstebro.

A shareholders' meeting will also be held in Ringkøbing on Wednesday, 18 March 2009, at 5 p.m. at Ringkøbing Sports- og Kursuscenter (ROFI), Kirkevej 26, 6950 Ringkøbing.

### Financial Calendar for 2009

■ 25 February	Annual Report 2008
■ 11 March	Annual General Meeting
■ 29 April	Quarterly report, Q1 2009
■ 5 August	Half-yearly report, H1 2009
■ 28 October	Quarterly Report, Q1-3 2009

### Stock Exchange Notices for the Year

■ 21 January	Holdings of own shares
■ 8 February	Holdings of own shares
■ 20 February	Annual report
■ 20 February	Annual report, technical fault
■ 21 February	General Meeting notice
■ 22 February	Insider trading with the Bank's shares
■ 22 February	Raising subordinated loan capital
■ 6 March	Changes to the cooperation agreement with Totalkredit/Nykredit
■ 7 March	Minutes of the General Meeting
■ 7 March	Leadership change
■ 30 April	Quarterly report, Q1
■ 22 July	Maintaining annual profit expectations
■ 7 August	Half-yearly report, H1
■ 29 September	Takeover of Bonusbanken
■ 29 September	Proposal for a merger with Ringkjøbing Bank
■ 6 October	Endorsement of the State Guarantee Scheme
■ 7 October	Approval of the Bonusbanken takeover
■ 29 October	Quarterly Report, Q1-3
■ 31 October	Extended announcement on the merger with Ringkjøbing Bank
■ 4 November	Notice of Extraordinary General Meeting to be held concerning the merger with Ringkjøbing Bank as well as amendment of the Articles of Association
■ 27 November	Major shareholder announcement
■ 2 December	Minutes of Extraordinary General Meeting
■ 3 December	Approval of the merger with Ringkjøbing Bank
■ 29 December	Issue of bond loan





# Management's Report

## The Organisation

### Employees

vestjyskBANK's objective, as far as staffing is concerned, is to attract and employ the most competent staff. This requires a major focus on both staff and manager development. In this context, vestjyskBANK's mission and vision are important elements. Our mission "It is all about people – people's dreams and security" is central to vestjyskBANK's approach to its staff. Our vision "the most attractive partner" is essential when it comes to our ability to recruit and retain staff.

vestjyskBANK attaches major importance to skills development. vestjyskBANK provides support for any relevant advanced education or training needed by employees or managers, based on their individual situation.

vestjyskBANK's branches are typically subdivided into a retail customer section and a corporate customer section, as well as a customer service section. The primary tasks of the retail and corporate customer advisers are based on the Bank's vision that both customer and Bank should experience value creation, resulting in mutual loyalty. The advisers' skills and resources should be put to optimal use and be very much focused on the customer's needs. Administrative tasks are dealt with in customer services and are continuously executed more effectively. Indeed, we attempt to apply best practice to all areas of the Bank.

The staff functions support customer-related functions with specialists in all fields. This means that advisers are able to deal with all customer consultancy needs, even when cutting-edge skills are needed.

### Recruitment

vestjyskBANK is aware of the fact that the battle

for customers will be won by skilled and committed staff who display solid commitment. It is with great pleasure that the Bank can look back on a year in which we managed to exceed our expectations in terms of the recruitment and retention of employees. The banking sector is generally hard-pressed to attract skilled labour. However, this situation changed considerably in the last quarter of 2008, which was marked by high redundancy levels in the industry. In our opinion, vestjyskBANK has the reputation of being an attractive workplace. We believe that this has been the reason behind the Bank's success in attracting staff to vacant posts in all the categories.

*Staff seniority and age distribution are displayed in the tables to the left.*

### Staff seniority

More than 20 years	185
15-19 years	30
10-14 years	77
5-9 years	105
0-4 years	319
<b>Total</b>	<b>716</b>

### Staff age distribution

20-24 years	44
25-29 years	57
30-34 years	73
35-39 years	77
40-44 years	110
45-49 years	118
50-54 years	101
55-59 years	93
60-64 years	41
65-69 years	2
<b>Total</b>	<b>716</b>

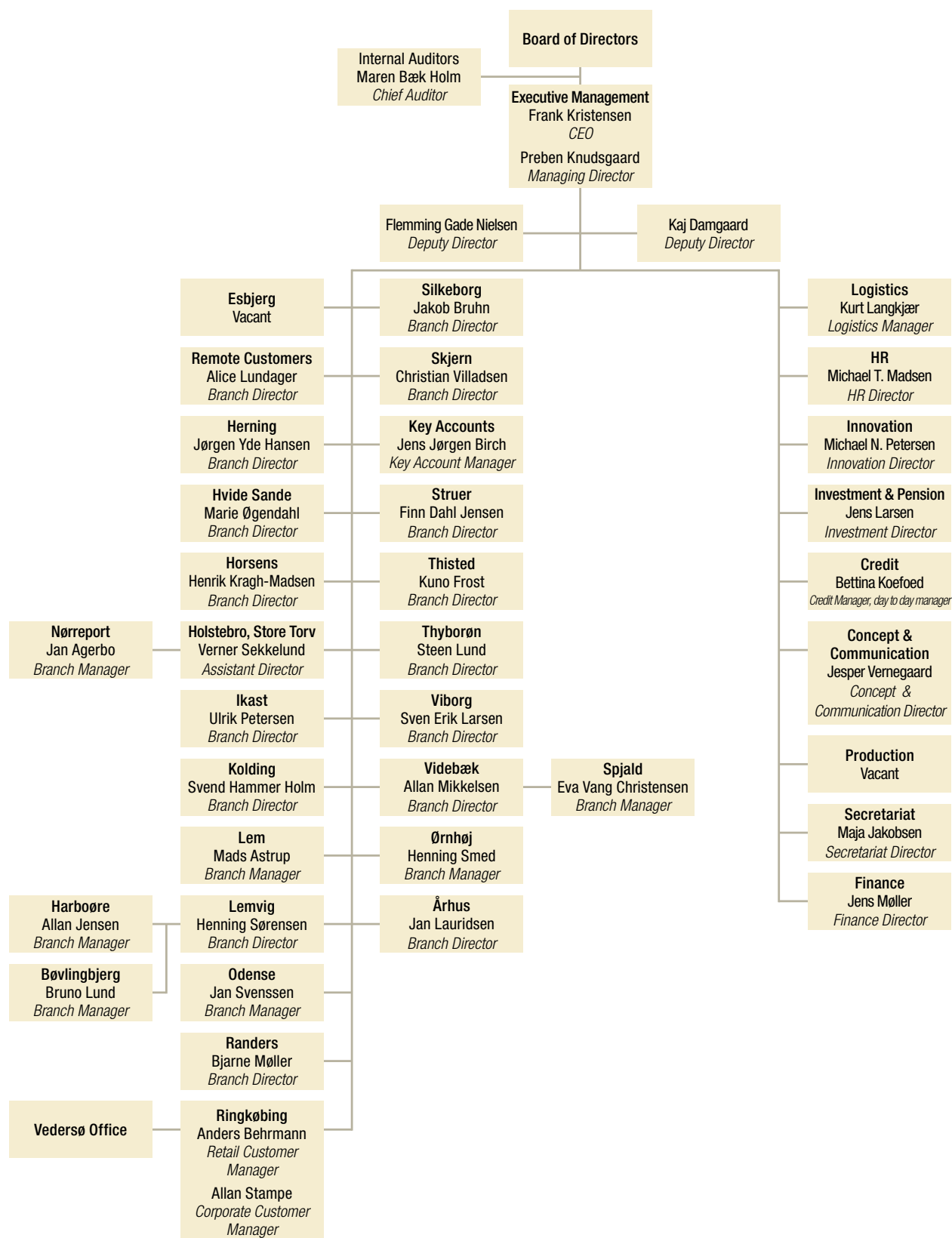
### The Best Management Development Programme in the Industry

The purpose of the Management Development Programme is to translate vestjyskBANK's mission as well as vision into practical leadership. Management development produces the best results when strategic leadership development is combined with business and personal leadership development. The combination of a business and market-oriented focus and personal development which is individually tailored to each manager facilitates business continuity during changes to market conditions and ensures that a long-term focus is maintained. This requires managers to shoulder greater responsibility, as well as being both attentive and highly skilled. It also secures market shares, employee welfare and development and optimal utilisation of resources, at a time when economic conditions are changing.



# Management's Report

## Organisational Chart





# Management's Report

## Board of Directors and Executive Management

### Board of Directors:

#### Director Anders Bech (born 1947), Chairman

Conforms to the definition of independence of the Committee for Good Corporate Governance.

- Elected to the Board of Directors of the former Vestjysk Bank for the first time in 1997.
- Retained his post on the Board at vestjysk-BANK following the merger with Nordvest-bank in 2002.
- Has been re-elected to vestjyskBANK's Board of Directors.
- Expiry of current term: 2009.

Other management posts or organisational tasks:

- Managing Director of Kaj Bech A/S and Kaj Bech Holding A/S.
- Member of the Board of Directors of Kaj Bech A/S, Kaj Bech Holding A/S, Ejendomsselskabet Doktorvænget A/S and Fonden Nørre Vosborg.

Holds own and related parties' shares, options or warrants in vestjyskBANK: 17,010 shares.

Stock changes during the financial year:  
Has acquired 250 shares.

#### Director Poul Hjulmand (born 1945), Vice-Chairman

Conforms to the definition of independence of the Committee for Good Corporate Governance.

- Elected to the Board of Directors of Ringkjøbing Bank for the first time in 2003 and elected Board Chairman in 2003.
- Retained his post on the Board at vestjysk-BANK following the merger in 2008.
- Expiry of current term: 2011.

Other management posts or organisational tasks:

- Managing Director of Landia A/S Group.
- Member of the Board of Directors of Landia A/S, Landia Inc., Landia UK Ltd., Landia GmbH, Landia Holding ApS, Vestas aircoil A/S, Hydromann Holding A/S, Skjern Vinduer A/S, ConSet A/S, Conset Norge A/S, RAH A.m.b.A., RAH Net A/S, RAH Service A/S, RAH Adm. A/S, RAH Holding A/S, Vestjyske Net A/S, Iron Pump A/S, Iron Pump Holding A/S, Ølgaard-Jensens Fond, Hvide Sande Havn and Lem Varmeværk.

Has occupied other management posts or performed organisational tasks in the past 5 years:

- Member of the Board of Directors of Samson Pumps A/S, K.P. Komponenter A/S, K.P. Holding A/S and Hydromann A/S.

Holds own and related parties' shares, options or warrants in vestjyskBANK: 2,077 shares.

Stock changes during the financial year: None.

#### Director Peter Grankær (born 1941)

Conforms to the definition of independence of the Committee for Good Corporate Governance.

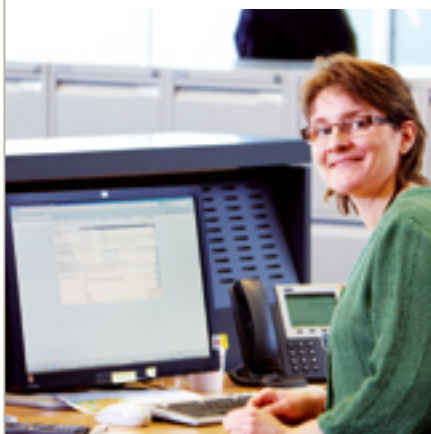
- Elected to the Board of Directors of Nordvest-bank for the first time in 1983 and elected as Board Chairman in 1988. Continued in the role of Vice-Chairman at vestjyskBANK in the 2002—2008 period.
- Has been re-elected to vestjyskBANK's Board of Directors.
- Will be stepping down at the 2009 General Meeting because he has reached the age limit specified in the Articles of Association.

Has occupied other management posts or performed organisational tasks in the past 5 years:



# Management's Report

## Board of Directors and Executive Management



- Member of the Board of Directors of Tangsø Vinduer 2003 A/S and NV-Finans A/S.

Holds own and related parties' shares, options or warrants in vestjyskBANK: 5,590 shares.

Stock changes during the financial year: None.

### **Farm Owner Kirsten Lundgaard-Karlshøj (born 1951)**

Conforms to the definition of independence of the Committee for Good Corporate Governance.

- Elected to the Board of Directors of the former Vestjysk Bank for the first time in 1998.
- Retained his post on the Board at vestjyskBANK following the merger with Nordvest-bank in 2002.
- Has been re-elected to vestjyskBANK's Board of Directors.
- Expiry of current term: 2009.

Other management posts or organisational tasks:

- Runs a large farm.

Has occupied other management posts or performed organisational tasks in the past 5 years:

- Member of the Board of Directors of Dansk/ Californisk Ejendomsselskab ApS.

Holds own and related parties' shares, options or warrants in vestjyskBANK: 15,500 shares.

Stock changes during the financial year: None.

### **Director Carl Olav Birk Jensen (born 1955)**

Conforms to the definition of independence of the Committee for Good Corporate Governance

- Elected to the Board of Directors of Ringkjø-

bing Bank for the first time in 2001.

- Retained his post on the Board at vestjyskBANK following the merger in 2008.
- Expiry of current term: 2011.

Other management or organisational tasks:

- Member of the Board of Directors of Ringkjøbing Håndbold ApS.

Has occupied other management posts or performed organisational tasks in the past 5 years:

- Managing Director of Central-Vask Ringkjøbing ApS.

Holds own and related parties' shares, options or warrants in vestjyskBANK: 3,240 shares.

Stock changes during the financial year: None.

### **Master Butcher Peter Mortensen (born 1972)**

Conforms to the definition of independence of the Committee for Good Corporate Governance

- Elected to the Board of Directors of vestjyskBANK in 2008.
- Expiry of current term: 2011.

Other management posts or organisational tasks:

- Managing Director of Slagter Mortensen Lemvig ApS.

Holds own and related parties' shares, options or warrants in vestjyskBANK: 1,005 shares.

Stock changes during the financial year: None.

### **Key Account Manager Peder Hessela Nielsen (born 1961)**

**Elected by the employees**

Conforms to the definition of independence of

the Committee for Good Corporate Governance despite being in the Bank's employ.

- Elected to the Board of Directors of Vestjysk Bank for the first time in 2003 as employee representative.
- Has accepted re-election.
- Expiry of current term: 2011.

Other management posts or organisational tasks:

- Member of the Board of Directors of HHH Polen Invest ApS.

Holds own and related parties' shares, options or warrants in vestjyskBANK: 1,000 shares.

Stock changes during the financial year: None.

#### **Market Manager Peter Bækkelund**

##### **Rasmussen (born 1967)**

###### **Elected by the employees**

Conforms to the definition of independence of the Committee for Good Corporate Governance, despite being in the Bank's employ.

- Elected to the Board of Directors of Vestjysk Bank for the first time in 2007 as employee representative.
- Expiry of current term: 2011.

Has occupied other management posts or performed organisational tasks in the past 5 years:

- Member of the Board of Directors of Vestfyns Bank A/S

Holds own and related parties' shares, options or warrants in vestjyskBANK: 723 shares.

Stock changes during the financial year: None.

## **Executive Management:**

### **CEO Frank Kristensen (born 1952)**

- Took up his post as Bank Director at nordvestBANK in 1999 and continued in the same role at vestjyskBANK following the merger between nordvestBANK and the former Vestjysk Bank in 2002. Bank Managing Director following the merger with Ringkjøbing Bank in 2008.

Other management posts in Danish limited companies:

- Member of the Board of Directors of Totalkredit A/S, PRAS A/S, VP Securities A/S, PBS Holding A/S, Multidata Holding A/S, e-nettet Holding A/S and Atrium Fondsmæglerselskab A/S.

Holds own and related parties' shares, options or warrants in vestjyskBANK: 1,994 shares.

Stock changes during the financial year: None.

### **Managing Director Preben Knudsgaard**

#### **(born 1949)**

- Took up his post as Bank Director at Ringkjøbing Bank in 1992 and continued in the same role at vestjyskBANK following the merger in 2008.

Other management posts in Danish limited companies:

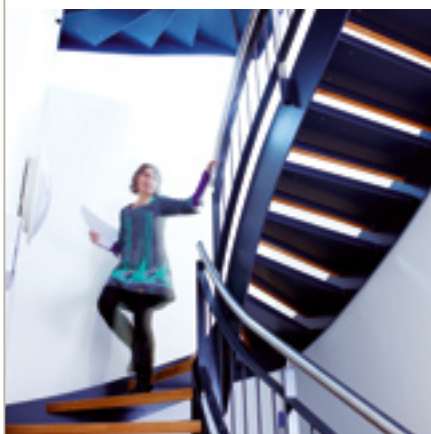
- None.

Holds own and related parties' shares, options or warrants in vestjyskBANK: 7,337 shares.

Stock changes during the financial year: None.

# Management's Report

## Partners



### **vestjyskBANK collaborates on and receives commission from the following services:**

#### **Mortgage Finance**

As regards mortgage finance, vestjyskBANK collaborates primarily with Totalkredit in providing finance for permanent main residences and holiday homes, as well as for owner-occupied flats. Furthermore, vestjyskBANK is a shareholder in the holding company Pras A/S which owns Totalkredit, and the nominal value of its stake in Pras amounts to DKK 20,822,737 (booked at DKK 60.8m).

As regards financing mortgages for commercial properties, including agricultural properties, residential lets and cooperative housing, vestjyskBANK collaborates primarily with DLR Kredit, of which the Bank is a co-owner. The nominal value of the Bank's stake in DLR Kredit is DKK 22,251,722 and its book value DKK 256.3m. In addition to these primary partners, vestjyskBANK also collaborates with Nykredit and Realkredit Danmark.

#### **LeasIT**

In the field of leasing, vestjyskBANK collaborates with LeasIT in referring leasing agreements.

#### **Insurance**

In the field of insurance, vestjyskBANK collaborates with PFA forsikring in providing life and disability insurance.

Furthermore, vestjyskBANK is a co-owner of Letpension A/S via Letpension Holding A/S. Letpension A/S is expected to start trading in 2009, because the original start-up date in 2007 was delayed on account of extensive IT development. The nominal value of the Bank's

stake in Letpension A/S is DKK 13,332,882 and its book value DKK 20m.

As regards general insurance, vestjyskBANK collaborates primarily with Privatsikring and Vestjylland Forsikring.

#### **Securities Market**

vestjyskBANK collaborates with Bankinvest in facilitating Bankinvest's investment funds and other related products and is also a shareholder in BI Holding A/S, which is the group's parent company. The nominal value of vestjyskBANK's stake in BI Holding A/S is DKK 358,349 and its book value is DKK 8.1m.

vestjyskBANK collaborates with Garanti Invest A/S in facilitating structured products and also has shareholdings in this company. The nominal value of its stake in Garanti Invest A/S is DKK 408,800 and its book value is DKK 2.7m.

vestjyskBANK collaborates with Sparinvest in facilitating Sparinvest's investment funds and also has shareholdings in Sparinvest Holding A/S. The nominal value of its stake in Sparinvest Holding A/S is DKK 647,000 and its book value is 24.7m.

In addition, vestjyskBANK collaborates with Sydinvest, Egnsinvest, Nordea Bank Danmark A/S, Atrium Value Partner, Carnegie, Henton Invest, Dexia Invest, ValueInvest and Gudme Raaschou.

vestjyskBANK collaborates with Forvaltningsinstituttet for Lokale Pengeinstitutter, a body approved by the Danish Ministry of Justice to perform management tasks. Under the terms of this partnership the Bank refers customers to Forvaltningsinstituttet.

### **Money Transition Services**

vestjyskBANK collaborates with PBS A/S and PBS International A/S in the field of payment and credit card services. vestjyskBANK is a co-owner of PBS A/S via PBS Holding A/S. The nominal value of its stake in PBS A/S is DKK 537,875 and its book value is DKK 10.2m.

### **Payroll Management for Customers**

vestjyskBANK collaborates with Multidata A/S on payroll management systems. vestjyskBANK is a co-owner of Multidata A/S via Multidata Holding A/S. The nominal value of the Bank's stake in Multidata A/S is DKK 107,575, and the book value is DKK 7.2m.

### **Other Partners**

In addition to the above-mentioned partners, vestjyskBANK also collaborates with the following important partners, but without commission:

### **BEC**

vestjyskBANK is a co-owner of BEC, which is one of Denmark's three jointly-owned IT providers in the banking sector. On account of its partnership with BEC, vestjyskBANK can continuously utilise operationally safe, user-friendly and competitive IT solutions. Furthermore, BEC is a major provider of services to other operators in the financials sector. The book value of vestjyskBANK's stake in BEC is DKK 96.1m.

### **BoligCenterVestjylland**

vestjyskBANK collaborates with BoligCenter-Vestjylland, a local property agent. This partnership includes property valuation and mutual customer referral.

### **Nykredit Mægler**

vestjyskBANK collaborates with Nykredit Mægler. This partnership includes property valuation and mutual customer referral.

### **Euler Hermes**

vestjyskBANK collaborates with Euler Hermes. This partnership covers customer referral as regards credit insurance.

### **Electronic Archive**

vestjyskBANK collaborates with e-Boks A/S on the Bank's provision of an electronic correspondence archive to customers who have signed up for an e-mail account. vestjyskBANK is a co-owner of e-Boks A/S via PBS Holding A/S.

### **Finance Sector's Training Centre**

vestjyskBANK collaborates with the Finance Sector's Training Centre, which is used for organising basic and advanced education and training courses.

### **Amagerbanken**

vestjyskBANK collaborates with Amagerbanken on the processing of fund orders which vestjyskBANK receives from customers via WEBbank.

### **Arbejdernes Landsbank**

vestjyskBANK collaborates with Arbejdernes Landsbank on the processing of fund orders which vestjyskBANK receives from customers via WEBbank.

### **VP Securities Services**

vestjyskBANK collaborates with and is a co-owner of VP Securities Services, whose key task is to issue securities electronically, record share and rights ownership and to facilitate the clearing and settlement of securities. The nominal value of vestjyskBANK's stake in VP Securities Services is DKK 192,000, and its book value is DKK 2.4m.



# Management's Report

## Partners

### **Copenhagen Stock Exchange**

vestjyskBANK collaborates with the Copenhagen Stock Exchange and is a co-owner of OMX AB. The nominal value of vestjyskBANK's stake in OMX AB is DKK 15,730, and its book value is DKK 1.6m.

### **The Association of Local Banks, Savings Banks and Cooperative Banks in Denmark**

vestjyskBANK is a member of the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark, together with 111 other local banks. The Association's objectives are to support its members and promote their joint interests by taking account of individual members' independence, freedom of action and integrity, as well as to work towards secure development of the financial sector, so that its members can discharge their duties in the best possible manner.

### **Public Sector Tasks**

#### **Electronic Registration**

The launch of electronic registration is expected

in the second half of 2009, instead of in the first half, as originally planned. A lot of paper will disappear, and procedures are expected to become simpler and faster.

### **Robberies**

In 2008, vestjyskBANK did not experience any robberies. This may be attributed, in particular, to the fact that time-delay locks were fitted on tills which store significant amounts of money. In order to increase its efforts to tackle robberies, the Bank has decided to replace tills in smaller branches with automated teller machines (ATMs). The Bank is taking this step out of concern for our employees, because those employees who have been the victims of robberies often find it difficult to process these events. Although originally planned for 2007, this safety measure was postponed until 2009 on account of IT issues. Legislation now permits entrances to be surveilled by outdoor cameras, and we will begin setting cameras up in 2009.



# Management's Statement

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The Board of Directors and the Executive Management have, as of today, reviewed and approved the Annual Report of Vestjysk Bank A/S for the financial year 1 January – 31 December 2008.

The Annual Report has been prepared in accordance with the Danish Financial Business Act, and in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions. The accounting policy selected is considered appropriate, inasmuch as the Annual Report provides a fair view of the Bank's assets, liabilities, financial position, profit and profit/loss.

The Management's Report contains a true and fair review of the development of the Bank's activities and financial conditions, as well as a true and fair description of the most significant risks and uncertainties which may affect the Bank.

The Annual Report is recommended for approval by the General Meeting.

Lemvig, 25 February 2009

## Executive Management

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Frank Kristensen

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Preben Knudsgaard

## The Board of Directors

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Anders Kristian Bech

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Poul Hjulmand

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Peter Grankær

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Kirsten Lundgaard-Karlshøj

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Peder Hesselaa Nielsen

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Peter Bækkelund Rasmussen

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Carl Olav Birk Jensen

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Peder Juhl Mortensen

# Auditors' Reports

## Internal Auditors' Report

We have audited the Annual Report of Vestjysk Bank A/S for the financial year 1 January - 31 December 2008, which comprises Management's Report, Management's Statement, accounting policies, income statement, balance sheet, statement of changes in shareholders' equity and notes. The Annual Report is prepared in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial institutions.

### Basis of Opinion

We conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as Financial Groups and the Danish Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.

The audit has been performed in accordance with the division of duties agreed with the external auditors and has included an assessment of procedures and internal controls established, including the risk management organised by Management relevant to the Entity's reporting processes and significant business risks. Based on materiality and risk, we have examined, on a test basis, the basis of amounts and other disclosures in the Annual Report, including evidence supporting amounts and disclosures in the Annual Report. Furthermore, the audit has included evaluating the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the Annual Report.

We have participated in the audit of risk and other material areas and believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

### Opinion

In our opinion, the procedures and internal controls established, including the risk management organised by Management relevant to the Entity's reporting processes and significant business risks, are working satisfactorily.

Furthermore, in our opinion, the Annual Report gives a true and fair view of the Entity's assets, liabilities and financial position at 31 December 2008 and of the results of the Entity's activities for the financial year 1 January - 31 December 2008 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial institutions.

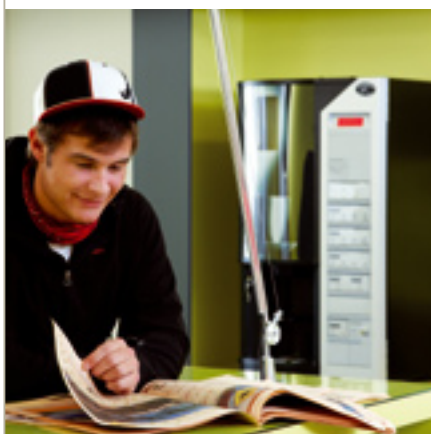
Lemvig, 25 February 2009

Maren Bæk Holm  
*Chief Auditor*

## Independent Auditors' Report

### To the Shareholders of Vestjysk Bank A/S

We have audited the Annual Report of Vestjysk Bank A/S for the financial year 1 January - 31 December 2008, which comprises Management's Report, Management's Statement, accounting policies, income statement, balance sheet, statement of changes in shareholders' equity and notes. The Annual Report is prepared in accordance with the Danish Financial Business Act and additional Danish disclosure





requirements for annual reports of listed financial institutions.

### **Management's Responsibility for the Annual Report**

Management is responsible for the preparation and fair presentation of the Annual Report in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial institutions. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under the circumstances.

### **Auditor's Responsibility and the Conducted Audit**

Our responsibility is to express an opinion on the Annual Report based on our audit. We conducted our audit in accordance with Danish Auditing Standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures

selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the Annual Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Annual Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

### **Opinion**

In our opinion, the Annual Report gives a true and fair view of the financial position at 31 December 2008 of the Company and of the results of the Company's operations for the financial year 1 January - 31 December 2008 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial institutions.

Lemvig, 25 February 2009

### **PricewaterhouseCoopers**

*Statsautoriseret Revisionsaktieselskab*

H.C. Krogh

*State Authorised Public Accountant*

### **Krøyer Pedersen**

*Statsautoriserede Revisorer I/S*

Henrik Holm

*State Authorised Public Accountant*



# Accounting Policies

## General Policies

The Annual Report has been prepared in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reporting for Credit Institutions and Investment Companies etc. Furthermore, the Annual Report has been prepared in accordance with other Danish reporting requirements relating to annual reports for listed financial institutions.

On 29 September 2008, vestjyskBANK acquired Bonusbanken. On 2 December 2008, vestjyskBANK completed a merger with Ringkjøbing Bank. For the purposes of both the acquisition of Bonusbanken and the merger with Ringkjøbing Bank, the Bank used the purchase method of accounting, which means Bonusbanken's and Ringkjøbing Bank's activities have only been included in the accounts for vestjyskBANK starting from the date of the takeover/merger.

The Annual Report has been prepared according to the accounting policies used in 2007. With effect from 1 July 2008 vestjyskBANK has chosen to reclassify corporate bonds nominally worth DKK33m from the account item "Bonds carried at current value" to account item "Loans and advances and other accounts receivable at amortised cost price". The change effects market value adjustments positively by DKK 19m before tax.

### Recognition and Measurement in General

Assets are recognised in the balance sheet when, as a consequence of an earlier occurrence, it is probable that any future economic benefit will flow to the Bank, and when the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Bank, as a consequence of an earlier occurrence, has a legal or actual liability to do

so, and when it is probable that any future economic benefit will flow from the Bank, and the value of the liability can be measured reliably.

Upon first recognition, assets and liabilities are measured at fair value. However, tangible assets are measured at cost price on first recognition. Measurement after first recognition is carried out as described for each accounting item.

For the purposes of recognition and measurement, the Bank makes allowance for any predictable risks or losses which occur before the Annual Report is presented and which confirm or invalidate circumstances existing on the date of the balance sheet.

In the income statement, income is recognised as earned, whereas expenditure is recognised with the amounts relating to the accounting year. However, any increase in the value of owner-occupied property is recognised directly in the shareholders' equity.

Financial instruments are recognised on the day on which settlement occurs.

The Bank does not practise segment reporting, as neither the Bank's activities nor its geographical markets deviate from each other to a considerable extent.

### Accounting Estimates

Determination of the accounting value of certain assets and liabilities involves an estimation of how future events might affect the value of such assets and liabilities. The most essential estimates relate to the impairment of loans and advances, determination of the current values of unlisted financial instruments and to provisions for liabilities.



The estimates carried out are based on the premises considered to be responsible by the Management, but which are uncertain. In addition, the Bank is affected by risks and uncertainties which may result in actual results deviating from the estimates.

As regards impairment of loans and advances and accounts receivable, there are essential estimates associated with quantification of the risk of not all future payments being received. As regards the current value of unlisted financial instruments, there are essential estimates involved in measuring the current value.

#### **Conversion of Foreign Currencies**

Foreign currency transactions are converted upon first recognition at the exchange rate on the transaction date. Accounts receivable, liabilities and other foreign exchange monetary items which have not been settled on the balance sheet date are converted to the currency's closing rate on the balance sheet date. Exchange differences arising between the rate prevailing on the transaction date and the rate prevailing on the payment, or balance sheet, date are recognised in the income statement as market value adjustments.

#### **Hedge Accounting**

The Bank applies special hedge accounting rules in order to avoid any inconsistencies which might arise as a result of certain financial assets or financial liabilities being measured at amortised cost. However, derivative financial instruments are measured at current value. Hedging transactions have been established at portfolio level for the following items: fixed-interest loans, loans denominated in foreign currencies and bonds and fixed-interest deposits. These are covered by means of such products as options, forward transactions, swaps and caps.

#### **Mergers**

With the acquisition or merger with other companies, these are recognised from the takeover date. Sold companies are recognised up to the transfer date.

The merger occurs with the utilisation of the acquisition method after which the acquired companies' assets and liabilities are recognised at fair value on the day of acquisition. The tax value of the conducted revaluations is taken into consideration.

Positive differences between the cost price and the revaluated value of the acquired net assets are recognised in the balance as goodwill and are written down, if impairment arises. Negative differences are recognised as income in the income statement.

With the merger with Ringkjøbing Bank and the acquisition of Bonusbanken, the cost price is calculated as the market value on the date of acquisition by the vestjyskBANK shares issued with the merger and by the settled vestjyskBANK shares with the acquisition, respectively.

#### **Income Statement**

##### **Interest, Fees and Commissions**

Interest income and interest expenses are recognised in the income statement for the period they pertain to. Commissions and fees constituting an integral part of the effective interest rate of loans and advances are recognised at amortised cost.

Interest income from loans and advances, which have become either partly or fully impaired, is recognised only under "Interest income" with the calculated effective rate of interest on the loan's impaired value. Moreover, interest income is recognised under the item



# Accounting Policies

"Impairment of loans and advances and accounts receivable, etc."

Commissions and fees forming part of a current debt service are accrued over the term. Other fees are recognised in the income statement on the transaction date.

## **Staff costs and administrative expenses**

Staff costs comprise salaries and social security costs, pensions, etc. paid out to staff members. The costs of goods and services provided to employees, including anniversary bonuses, are recognised when employees have completed the duties which entitle them to the goods and services in question.

Incentive scheme costs are recognised in the income statement in the financial year to which the cost relates.

The majority of staff members have joined contribution-based pension schemes. In the contribution-based schemes, fixed amounts are paid to an independent pension fund. The Bank has no obligation to pay further contributions.

## **Tax**

Tax for the year, consisting of the year's current tax and any change in deferred tax, is recognised in the income statement to the extent to which it refers to the profit for the year, and directly in the shareholders' equity to the extent to which it refers to entries directly in the shareholders' equity.

Current tax liabilities and current tax receivables, respectively, are recognised in the balance sheet as the calculated tax of taxable income for the year adjusted for tax paid on account.

Deferred tax is recognised in all temporary dif-

ferences between accounting and tax values of assets and liabilities.

Deferred tax is either recognised as a liability in the balance sheet under "Provisions for deferred tax" or, after careful assessment, as an asset under "Deferred tax assets", if the net value is an asset.

## **Balance Sheet**

### **Cash in Hand and Demand Deposits at Central Banks**

Cash in hand and demand deposits consist of the Bank's holdings in domestic or foreign currency notes and coins, as well as of any demand deposits at central banks.

### **Accounts Receivable at Credit Institutions and Central Banks**

Accounts receivable at credit institutions and central banks are comprised of accounts receivable at other credit institutions as well as term deposits held with central banks. This item is measured at amortised cost price which normally corresponds to nominal value.

### **Loans and Advances and Other Accounts Receivable**

Loans and advances and other accounts receivable are measured at amortised cost price, which normally corresponds to the nominal value, with deduction of establishment fees etc. and with deduction of impairment intended to offset any loss which has occurred, but remains unrealised.

Impairment of loans and other accounts receivable is made for the individual subsidiaries and the Group as a whole. Impairment on losses is made when there is objective indication of impairment.



As regards individual impairments, objective indication is considered, as a minimum requirement, to have arisen in the case of one or more of the following events:

- The borrower is experiencing considerable financial difficulties
- The borrower has breached the contract, for example, by failing to meet payment obligations for instalments and interest
- The borrower has been granted exemption from certain conditions that would not normally be considered if it was not for the borrower's financial difficulties, or
- It is likely that the borrower will go bankrupt or be subject to other financial reconstruction measures.

Impairment is made with the difference between the accounting value before the impairment and the present value of any expected future payments in respect of the loan in question. Expected future payments are calculated on the basis of probability-weighted scenarios, assessed on the debtor's ability to pay and realisation of securities and any dividends. The effective rate of interest is used as a discounting factor.

Loans which have not been impaired individually are included in the collective impairment.

For loans and advances and accounts receivable that have not been impaired individually, a collective assessment is made to determine whether there has been any objective indication of impairment.

Collective assessments are made on groups of loans and advances and accounts receivable that have similar characteristics with regard to credit risk. The Bank uses a system composed of 11 groups: a single group for public authorities, one group for retail customers and

9 groups for corporate customers, whereby corporate customers are sub-divided according to their respective industries.

The collective assessment is made by means of a segmentation model, developed by the industry organisation Lokale Pengeinstitutter. The association is responsible for ongoing maintenance and development of the model. The segmentation model determines cohesion of the individual groups by taking into account any losses incurred and a number of significant explanatory macroeconomic variables via a linear regression analysis. Among the explanatory macroeconomic variables are unemployment, house prices, interest rates, number of bankruptcies/foreclosure auctions etc.

The macroeconomic segmentation model is initially calculated on the basis of loss data for the entire banking sector. Therefore, vestjyskBANK has carried out an assessment of whether the model estimates pose any credit risk to vestjyskBANK's own loan portfolio.

This assessment has resulted in the model estimates being adjusted to fit our own situation. Consequently, it is the adjusted estimates that form the basis for calculating collective impairment. For each group of loans and advances and accounts receivable, an estimate emerges that indicates the percentage of decrease in value associated with a given group of loans and advances and accounts receivable on the balance sheet date. By comparing the original risk of loss attached to the loan and the risk of loss at the beginning of the current financial period, the individual loan's contribution to the collective impairment emerges. Impairment is calculated as the difference between the accounting value and the discounted value of any expected future payments.



# Accounting Policies

Provisions for loss on guarantees and provisions for loss on unutilised agreements promising to grant a credit are recognised under "Provisions for liabilities".

## **Accounting Processing of Loans Taken over from Bonusbanken and Ringkjøbing Bank**

Loans that have been taken over from Bonusbanken and Ringkjøbing Bank respectively are regarded as being acquired on takeover day, and thus not at the time the loan was established. The amortised cost price of loans and advances is calculated as the current value of expected payments, based on the effective rate of interest calculated at the time of recognition. The time of recognition is the takeover day, therefore this is the point in time at which expected payments are estimated, and the effective rate of interest rate is calculated.

Downward adjustment of acquired loans in relation to the amortised cost price that has been calculated in the accounts of the banks taken over can be attributed to the requirement for further impairment compared to the estimated current value.

Further impairment can, for instance, be due to the requirement for further abatement as a result of uncertainty over the value at which securities lodged can be realised. It can also be due to the requirement for abatement of commitments showing signs of weakness. If, subsequently, there are clear indications that the value of the securities lodged has increased, these will be adjusted upwards separately in the income statement. Consequently, it does not mean reversal of previous impairments. On the other hand, if there are indications that the value of the lodged security has depreciated, this will be impaired in accordance with the normal rules for impairment of loans and advances.

## **Bonds**

Bonds which are traded on regulated markets are measured at current value. Current value is calculated according to the closing rate prevailing on the market in question on the balance sheet date.

Under certain conditions reclassification is performed on bonds which no longer fulfill the conditions regarding possession with trade in view to the account item "Loans and advances and other accounts receivable at amortised cost price".

## **Shares**

Shares which are traded on regulated markets are measured at current value. Current value is calculated according to the closing rate prevailing on the balance sheet date.

Unlisted shares in companies which the Bank owns jointly with a number of other financial institutions are valued at current value. If no current market data are available, the current value is determined on the basis of the companies' latest presented and approved accounts. Any remaining unlisted securities are recognised at purchase price or at a lower current value, if applicable.

## **Derivative Financial Instruments**

Derivative financial instruments are measured at current value, which as a rule is based on listed market prices. Where non-listed instruments are involved, these are calculated at current value in accordance with generally recognised principles which are based on market-based parameters. Derivative financial instruments are recognised under "Other assets" and "Other liabilities", respectively.

Where a hedging circumstance conforms to the

definition of hedge accounting at current value under the terms of the Danish Financial Supervisory Authority's Executive Order on Financial Reporting, both the hedging instrument and the item hedged are measured at current value on the balance sheet date.

All valuation adjustments concerning derivative financial instruments and hedge accounted items are entered under the item "Market value adjustments" in the income statement.

#### **Pooled Assets**

All pooled assets and deposits are recognised under separate balance sheet items. Return on pooled assets and dividends paid to pool participants are carried under the "Market value adjustments" item.

#### **Land and Buildings**

Investment property is property which is predominantly owned for the purpose of generating income from letting and hiring and/or capital gains. Upon acquisition, investment property is recognised at cost and subsequently measured at current value. Current value and letting/hiring income adjustments are recognised in the income statement under "Market value adjustments" and "Other operating income", respectively.

The current value of an investment property is calculated on the basis of a systematic assessment of that property's expected future return.

No depreciation is taken account of as regards such property.

Owner-occupied property is property which the Bank owns itself for the purpose of conducting banking operations in it.

Upon first recognition, owner-occupied property is measured at revalued amounts calculated at current value at the time of revaluation, on the basis of a return-on-investment model and with deduction of subsequent accumulated depreciation. The required rate of return on investment is in the region of 6 – 8%, depending on the location of the property. Revaluation is performed so frequently that there are no essential differences to the current value.

External experts are used for valuing the most important properties.

Increases in the revalued amounts of owner-occupied property are recognised under revaluation reserves under the item "Shareholders' equity". Decreases in such amounts are recognised in the income statement unless they involve reversal of any previous appreciation. Depreciation is made on the basis of the appreciated value and is calculated linearly on the basis of the expected lifespan, which is 50 years, of the depreciable amount with deduction of an estimated scrap value.

Installations are depreciated linearly over a period of 15 years.

#### **Intangible assets**

Intangible assets relate to the value of customer relations and goodwill acquired in connection with the takeover of Bonusbanken.

The value of customer relations is measured at cost price less accumulated depreciation and impairment. The value of customer relations is depreciated over an expected life span of 10 years.

Goodwill represents the amount by which the cost price of an acquired company exceeds the current value of acquired assets and lia-



# Accounting Policies

bilities and contingent liabilities at the time it is taken over.

Goodwill is recognised as an asset and is not amortised but is subject to a test for depreciation at least once a year.

Impairment is recognised in the income statement .

## **Other Tangible Assets**

Other tangible assets are measured at cost with deduction of accumulated depreciation and impairment. Linear depreciation is made on the basis of an estimate of the expected lifespan of any other assets:

IT equipment	2 – 3 years
Plant and equipment	3 years
Vehicles	3 – 4 years

Other fixed tangible assets are assessed for depreciation when there is an indication of a decrease in their value.

## **Other Assets**

This item includes assets which have not been recognised under any other asset item, including market value increases arising from spot purchases and derivative financial instruments as well as any interest receivable.

## **Other Liabilities**

This item includes liabilities which have not been recognised under any other liability item, including market value decreases arising from spot purchases, derivative financial instruments and any interest payable.

## **Prepayments**

Prepayments recognised under assets comprise all expenses paid in relation to the sub-

sequent financial year. Prepayments are measured at cost price.

## **Debt to Credit Institutions and Central Banks/Deposits**

Debt to credit institutions and central banks, as well as deposits, is valued at amortised cost.

## **Provisions for Pensions**

This obligation is calculated in accordance with actuarial evaluation.

## **Subordinated Debt/Issued Bonds**

Subordinated debt/issued bonds are valued at amortised cost price.

## **Dividends**

The proposed dividend for the financial year is shown as a separate entry under the item "Shareholders' equity".

## **Own Shares**

Acquisition costs and considerations for treasury shares and dividend from own shares are recognised directly as earnings retained under the item "Shareholders' equity".





# Income Statement

Note no.	2008 DDK t	2007 DDK t
1 Interest income	1,456,652	1,034,556
2 Interest expenses	884,489	550,720
Net interest income	572,163	483,836
Dividends of shares, etc.	5,605	4,376
3 Fees and commission income	157,549	141,737
Paid fees and commission expenses	15,132	13,739
Net interest and fee income	720,185	616,210
4 Market value adjustments	-58,001	22,955
Total other operating income	254,978	2,700
Reversed acquired impairment	831	0
Badwill resulting from merger	251,338	0
Other operating income	2,809	2,700
5-8 Staff costs and administrative expenses	447,384	352,978
9 Depreciation and impairment of intangible and tangible assets	13,272	12,290
Other operating expenses	25,746	0
Impairment of loans and advances and accounts receivable, etc.	176,031	-14,727
Pre-tax profit	254,729	291,324
10 Tax	-3,672	69,025
Profit	258,401	222,299

# Balance Sheet

## at 31 December

Note no.	2008 DDK t	2007 DDK t	
<b>Assets</b>			
	Cash in hand and demand deposits at central banks	393,938	161,714
11	Accounts receivable at credit institutions and central banks	774,252	610,674
12-16, 33, 33a	Loans and advances and other accounts receivable at amortised cost price	24,069,237	14,563,436
17, 33, 33a	Bonds carried at current value	4,535,457	2,378,866
18	Shares, etc.	619,974	382,001
19	Assets relating to pooled funds schemes	651,407	0
20	Intangible assets	111,554	0
	Total land and buildings	325,523	213,189
21	Investment properties	9,251	0
22	Domicile properties	316,272	213,189
23	Other tangible assets	16,478	7,800
	Current tax assets	53,857	13,784
24	Deferred tax assets	144,752	4,777
	Assets in temporary possession	500	0
	Other assets	494,893	164,652
	Prepayments	24,111	12,337
	<b>Total assets</b>	<b>32,215,933</b>	<b>18,513,230</b>
<b>Liabilities</b>			
<b>Debt</b>			
25	Debt to credit institutions and central banks	7,349,500	5,379,692
26, 33	Deposits and other amounts due	15,991,663	9,174,443
	Deposits in pooled funds schemes	651,407	0
27	Issued bonds carried at amortised cost price	3,798,323	1,506,990
	Current tax liabilities	453	0
	Other liabilities	1,001,529	282,654
	Prepayments	249	19
	<b>Total debt</b>	<b>28,793,124</b>	<b>16,343,798</b>
<b>Provisions for liabilities</b>			
	Provisions for pensions and similar liabilities	20,687	8,040
	Provisions for losses on guarantees	29,439	9,263
	<b>Total provisions for liabilities</b>	<b>50,126</b>	<b>17,303</b>
<b>Subordinated debt</b>			
28	Subordinated debt	1,172,462	438,088
<b>Shareholders' equity</b>			
29, 33	Share capital	125,000	86,000
	Revaluation reserves	30,848	15,750
	Earnings retained / loss brought forward	2,044,373	1,569,291
	Proposed dividends of this	0	43,000
	<b>Total shareholders' equity</b>	<b>2,200,221</b>	<b>1,714,041</b>
	<b>Total liabilities</b>	<b>32,215,933</b>	<b>18,513,230</b>

# Statement of Changes in Shareholders' Equity

	Share capital DDK t	Revaluation reserves DDK t	Earnings retained DDK t	Proposed dividends DDK t	Total shareholders' equity DDK t
<b>Shareholders' equity, beginning of 2008</b>	86,000	15,750	1,569,291	43,000	1,714,041
<b>Movements in shareholders' equity in 2008:</b>					
Appreciation after tax for the year	15,098				15,098
Profit for the year			258,401		258,401
Total income	15,098		258,401		273,499
Additions, sale of own shares			195,460		195,460
Outflow, acquisition of own shares			-188,502		-188,502
Tax relating to own shares			19,606		19,606
Distributed dividends			966	-43,000	-42,034
Shares issued in connection with merger	39,000		189,151		228,151
Total movements in shareholders' equity	39,000	15,098	475,082	-43,000	486,180
<b>Shareholders' equity, end of 2008</b>	125,000	30,848	2,044,373	0	2,200,221

**Market Value Adjusted Purchase Price**

vestjyskBANK and Ringkjøbing Bank merged on 2 December 2008. As far as the accounts are concerned, the merger has been completed as at the date of the takeover.

During the period from 30 September 2008 until the merger, a deficit of DKK 136,252 was realised in A/S Ringkjøbing Bank, after which shareholders' equity is calculated at DKK 684,498t.

Badwill represents the difference between the current value and the booked value of the acquired net assets.

Badwill has been recognised as revenue in Q4 2008 and is included under the item "Other operating income".

In the opening balance sheet, the current value of loans and advances has been written down by DKK 273,345t compared to the accounting value before the takeover.

	Current value at time of takeover	Accounting value before takeover
Acquired net assets:		
Cash in hand and demand deposits at central banks	54,266	54,266
Accounts receivable at credit institutions and central banks	666,494	666,494
Loans and advances and other accounts receivable	6,405,132	6,678,477
Bonds	1,281,850	1,281,850
Shares	136,324	136,324
Assets relating to pooled funds schemes	642,520	642,520
Land and buildings	61,692	61,692
Other tangible assets	2,572	2,572
Tax assets	139,213	70,877
Other assets	168,409	168,409
<b>Total assets</b>	<b>9,558,472</b>	<b>9,763,481</b>
Debt to credit institutions	4,223,101	4,223,101
Deposits	4,226,029	4,226,029
Other liabilities	142,253	142,253
Subordinated debt	471,602	471,602
Other debt	15,998	15,998
<b>Total liabilities</b>	<b>9,078,983</b>	<b>9,078,983</b>
<b>Acquired net assets</b>	<b>479,489</b>	<b>684,498</b>
Badwill	-251,338	
<b>Market value adjusted purchase price</b>	<b>228,151</b>	

The disclosed accounting figures have been prepared in accordance with Ringkjøbing Bank's accounting policies immediately prior to the time of the takeover.

# Notes to the Annual Report

Note no.	2008 DDK t	2007 DDK t
<b>1 Interest income</b>		
Accounts receivable at credit institutions and central banks	26,818	27,096
Loans and advances and other accounts receivable	1,262,838	913,289
Bonds	128,638	84,675
Derivative financial instruments		
Foreign exchange contracts	23,670	7,361
Interest rate contracts	13,185	2,115
Total derivate financial instruments	36,855	9,476
Other interest income	1,503	20
<b>Total interest income</b>	<b>1,456,652</b>	<b>1,034,556</b>
<b>2 Interest expenses</b>		
Credit institutions and central banks	279,612	157,621
Deposits and other amounts due	457,214	299,991
Issued bonds	101,549	71,365
Subordinated debt	46,102	21,720
Other interest expenses	12	23
<b>Total interest expenses</b>	<b>884,489</b>	<b>550,720</b>
<b>3 Fees and commission income</b>		
Securities trading and custody	40,930	41,132
Money transmission services	27,124	25,199
Loan processing fees	18,565	17,097
Guarantee commission	54,956	47,506
Other fees and commissions	15,974	10,803
<b>Total fees and commission income</b>	<b>157,549</b>	<b>141,737</b>
<b>4 Market value adjustments</b>		
Loans and advances and accounts receivable at current value	2,163	0
Bonds	-12,426	-12,577
Shares, etc.	-27,016	17,088
Investment properties	0	0
Foreign exchange	10,017	15,611
Derivative financial instruments		
Foreign exchange contracts	8,070	2,691
Interest rate contracts	-39,895	6,316
Share contracts	3,991	1,739
Total derivate financial instruments	-27,834	10,746
Assets relating to pooled funds schemes	-11,637	0
Deposits in pooled funds schemes	11,637	0
Other assets	10,710	-1,391
Other liabilities	-13,615	-6,522
<b>Total market value adjustments</b>	<b>-58,001</b>	<b>22,955</b>

Note no.	2008 DDK t	2007 DDK t
<b>5 Staff costs and administrative expenses</b>		
<b>Salaries and remuneration to the Board of Directors, Executive Management and Board of Representatives</b>		
Board of Directors	927	794
Executive Management:		
Salaries	3,110	2,440
Pensions	1,609	1,462
Total Executive Management	4,719	3,902
The Bank does not uphold agreements with the Executive Board in relation to bonus or incentive schemes or similar remuneration schemes. The value of benefits in kind amounts to DKK 164t (2007: DKK 155t)		
Board of Representatives	187	252
Total	5,833	4,948
<b>Staff costs</b>		
Salaries	197,602	178,120
Pensions	24,262	20,837
Expenses for social security	22,004	17,670
Total	243,868	216,627
<b>Other administrative expenses</b>	197,683	131,403
<b>Total staff costs and administrative expenses</b>	447,384	352,978
<b>6 Number of employees</b>		
The average number of employees in the financial period, calculated as full-time employees	471.7	431.7
<b>7 Pension conditions</b>		
Members of the Executive Management may resign without notice before expiry of the year in which the member turns 62. The Bank is exempt from any pension liability in relation to resignation, be it on account of age, illness, disability or any other reason.		
<b>8 Audit fees</b>		
Total fees payable to the auditing companies elected at the annual general meeting to carry out the statutory audit	3,146	985
Of which other services than auditing	2,212	203
<b>9 Depreciation and impairment of intangible and tangible assets</b>		
Total land and buildings	6,448	8,344
Other tangible assets	6,824	3,946
Total depreciation and impairment of intangible and tangible assets	13,272	12,290

# Notes to the Annual Report

Note no.	2008 DDK t	2007 DDK t
<b>10 Tax</b>		
Calculated tax of profit for the year	0	72,013
Deferred tax	-3,537	-2,777
Deferred adjustment of calculated tax from previous years	-135	-211
<b>Total tax</b>	<b>-3,672</b>	<b>69,025</b>
<b>Effective tax rate</b>		
Current tax rate	25.0%	25.0%
Adjustments to this:		
Non-deductible expenses	0.1%	0.1%
Non-taxable incomes	-1.8%	-1.6%
Badwill resulting from merger	-24.7%	0%
Property depreciation, etc.	0.0%	0.3%
Adjustment of tax for previous years	0.0%	-0.1%
<b>Total effective tax rate</b>	<b>-1.4%</b>	<b>23.7%</b>
<b>11 Accounts receivable at credit institutions and central banks</b>		
Accounts receivable at notice at central banks	49,948	499,587
Accounts receivable at credit institutions	724,304	111,087
<b>Total accounts receivable at credit institutions and central banks</b>	<b>774,252</b>	<b>610,674</b>
Distributed by maturity		
On demand	524,486	111,087
Up to 3 months	82,276	499,587
More than 3 months and up to 1 year	3,231	0
More than 1 year and up to 5 years	113,031	0
More than 5 years	51,228	0
<b>Total</b>	<b>774,252</b>	<b>610,674</b>
<b>12 Loans and advances and other accounts receivable at amortised cost price</b>		
Distributed by maturity		
On demand	8,696,052	6,018,355
Up to 3 months	2,961,732	1,297,669
More than 3 months and up to 1 year	2,853,200	2,223,616
More than 1 year and up to 5 years	4,976,707	3,190,686
More than 5 years	4,581,546	1,833,110
<b>Total</b>	<b>24,069,237</b>	<b>14,563,436</b>
<b>13 Impairment of loans and advances and accounts receivable</b>		
For 2008, the item comprises impairment performed in Bonusbanken from 1 October and in Ringkjøbing Bank from 2 December.		
<b>Individual impairment</b>		
Individual impairment of loans and advances and other accounts receivable at beginning of year	163,254	200,581
Impairment during year	197,526	59,617
Reversal of impairment made during previous financial years	-56,288	-71,913



Note no.	2008 DDK t	2007 DDK t
13 Other movements	4,875	10,434
Previous individual impairment finally lost	-20,938	-35,465
Individual impairment of loans and advances and other accounts receivable at end of year	288,429	163,254
No impairment charges have been recognised to accounts receivable at credit institutions or to other accounts receivable. However, provisions have been made for losses on guarantees, cf. the liability item "Provisions for losses on guarantees".		
<b>Collective impairment</b>		
Collective impairment of loans and advances and other accounts receivable at beginning of year	3,710	4,856
Impairment during year	13,801	3,710
Reversal of impairment performed in previous financial year	-3,660	-4,856
Other movements	292	0
Collective impairment of loans and advances and other accounts receivable at end of year	14,143	3,710
Accumulated impairment percentage for loans and advances and accounts receivable	1.2%	1.1%
<b>Acquired OEI-impairments and impairment relating to transfer of assets</b>		
Acquired impairments, Bonusbanken	311,735	0
Acquired OEI-impairments, Ringkjøbing Bank	324,141	0
Impairment relating to transfer of assets, Ringkjøbing Bank	273,345	0
Total acquired OEI-impairments and impairment relating to transfer of assets	909,221	0
Total impairment of loans and advances and accounts receivable	1,211,793	166,964
Accumulated impairment percentage incl. OEI-impairments and impairment relating to transfer of assets	4.8%	1.1%
14 <b>Loans and advances and other accounts receivable with objective indication of impairment recognised in the balance with accounting value larger than zero</b>		
<b>Individual impairment</b>		
Valuation before impairment	1,332,139	275,083
Valuation after impairment	608,877	139,083
<b>Collective impairment</b>		
Valuation before impairment	21,657,513	1,395,361
Valuation after impairment	21,639,499	1,391,651
Acquired OEI-impairments and impairment relating to transfer of assets included.		
Accounts receivable with suspended interest calculation amounts to at end of year	500,631	108,468

# Notes to the Annual Report

Note no.	2008 DDK t	2007 DDK t
<b>15 Credit risks</b>		
Loans and advances and guarantees in percent at end of year, distributed by sector and trade		
<b>Public authorities</b>	0%	0%
<b>Corporate, of which</b>		
Agriculture, hunting and forestry	14%	15%
Fishery	2%	2%
Manufacturing business, raw material extraction, public service utilities	10%	10%
Construction	6%	7%
Trade, restaurant, and hotel business	9%	10%
Transportation, mail and telecommunication	2%	2%
Credit and finance companies and insurance companies	6%	6%
Property administration and real estate, business services	18%	16%
Other businesses	4%	2%
<b>Total corporate</b>	71%	70%
<b>Retail</b>	29%	30%
<b>Total</b>	100%	100%
<b>16 Related parties</b>		
<b>Size of loans, securities, pledges or guarantees issued for members of the Bank's</b>		
Executive Management	1,635	921
Board of Directors	43,475	28,518
All services are carried out based on market conditions. Rate of interest 2008: Executive Management 6.25% - 6.80%, Board of Directors 4.00% * - 8.50% * lected by employees		
<b>Securities set up for members of the Bank's</b>		
Executive Management	0	25
Board of Directors	6,596	763
<b>17 Bonds carried at current value</b>		
Mortgage credit bonds	4,138,771	1,868,319
Government bonds	76,712	131
Additional bonds	319,974	510,416
<b>Total bonds at current value</b>	4,535,457	2,378,866
Pledged as security for drawing right at Danmarks Nationalbank:		
Total nominal value	1,641,038	426,672
Total market value	1,618,269	424,264
Of which charged	636,710	0

Note no.	2008 DDK t	2007 DDK t
<b>18 Shares, etc.</b>		
Shares / investment units listed at Nasdaq OMX		
Copenhagen A/S	80,614	93,324
Shares / investment units listed at other stock exchanges	22,605	22,716
Unlisted shares carried at current value	379,930	207,422
Unlisted shares, etc. carried at cost price	8,137	5,438
Additional shares	128,688	53,101
Total shares, etc.	619,974	382,001
<b>19 Assets relating to pooled funds schemes</b>		
Cash deposit / not invested	14,019	0
Bonds	287,143	0
Shares, etc.	344,610	0
Other assets	5,635	0
Total assets relating to pooled funds schemes	651,407	0
Profit of pooled funds:		
Interest income	1,294	0
Dividends	300	0
Market value adjustments	-12,017	0
Fees and commission expenses	1,214	0
Total profit of pooled funds	-11,637	0
<b>20 Intangible assets</b>		
Customer relations in connection with takeover of Bonusbanken	14,964	0
Goodwill in connection with takeover of Bonusbanken	96,590	0
Total Intangible assets	111,554	0
Total cost price beginning of year	0	0
Additions in course of year	111,554	0
Total cost price end of year	111,554	0
Depreciation and impairment beginning of year	0	0
Depreciation and impairment for the year	0	0
Depreciation and impairment end of year	0	0
Booked holdings at balance sheet date	111,554	0
<b>21 Investment properties</b>		
Market value at end of previous financial year	0	0
Additions in course of year	9,251	0
Adjustment for the year at market value	0	0
Market value at balance sheet date	9,251	0

# Notes to the Annual Report

Note no.	2008 DDK t	2007 DDK t
<b>22 Domicile properties</b>		
Revalued value at end of previous financial year	213,189	220,406
Additions in course of year, including improvements	89,401	1,127
Outflow during course of year	0	0
Depreciation	3,948	5,485
Value adjustments recognised directly in the shareholders' equity during course of year	20,130	0
Value adjustments recognised in the income statement during course of year	-2,500	-2,859
Revalued value at time of balance sheet	316,272	213,189
<b>23 Other tangible assets</b>		
<b>Cost price</b>		
Cost price at end of previous financial year	15,492	9,854
Additions in course of year, including improvements	16,321	7,630
Outflow during course of year	3,404	1,992
Total cost price at balance sheet date	28,409	15,492
<b>Depreciation and impairment</b>		
Depreciation and impairment at end of previous financial year	7,692	5,620
Depreciation for the year	6,616	3,787
Depreciation and impairment for the year of sold and withdrawn shares	208	159
This year's reversal of impairment recognised during previous years, as well as reversal of total depreciation and impairment of assets sold or withdrawn during course of year	2,585	1,874
Total depreciation and impairment at balance sheet date	11,931	7,692
Booked holdings at balance sheet date	16,478	7,800
<b>24 Deferred tax assets/liabilities are specified as follows:</b>		
Loans and advances and other accounts receivable	-75,259	-8,085
Tangible assets	4,567	2,496
Provisions for liabilities	-5,172	-2,743
Tax-related deficit	-88,820	0
Other	19,932	3,555
Total deferred tax assets (-)/liabilities	-144,752	-4,777
<b>25 Debt to credit institutions and central banks</b>		
Debt to central banks	790,000	0
Debt to credit institutions	6,559,500	5,379,692
Total debt to credit institutions and central banks	7,349,500	5,379,692
Distributed by maturity		
On demand	1,297,352	725,807
Up to 3 months	1,421,233	959,245
More than 3 months and up to 1 year	1,772,576	1,096,202
More than 1 year and up to 5 years	2,370,180	2,246,472
More than 5 years	488,159	351,966
Total	7,349,500	5,379,692

Note no.	2008 DDK t	2007 DDK t
<b>26 Deposits and other amounts due</b>		
On demand	8,646,553	5,421,851
At notice	424,305	72,929
Time deposits	4,785,713	2,470,661
Special deposits	2,135,092	1,209,002
<b>Total deposits</b>	<b>15,991,663</b>	<b>9,174,443</b>
Distributed by maturity		
On demand	8,470,513	5,768,652
Up to 3 months	2,636,312	1,046,549
More than 3 months and up to 1 year	1,162,715	515,250
More than 1 year and up to 5 years	2,029,331	1,296,905
More than 5 years	1,692,792	547,087
<b>Total</b>	<b>15,991,663</b>	<b>9,174,443</b>
<b>27 Issued bonds carried at amortised cost price</b>		
Distributed by maturity		
More than 1 year and up to 5 years	3,790,250	1,500,839
More than 5 years	8,073	6,151
<b>Total</b>	<b>3,798,323</b>	<b>1,506,990</b>
<b>28 Subordinated debt</b>		
<b>Supplementary capital of EUR 15m</b>	111,759	111,849
Current interest rate	5.944%	5.868%
Date of maturity	31/10/2015	31/10/2015
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 31/10/2010.		
<b>Supplementary capital of DKK 100m</b>	100,000	100,000
Current interest rate	7.433%	5.815%
Date of maturity	01/11/2013	01/11/2013
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 1/11/2010.		
<b>Supplementary capital of NOK 135m</b>	102,222	126,239
Current interest rate	6.990%	6.470%
Date of maturity	16/05/2014	16/05/2014
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 16/05/2011.		
<b>Supplementary capital of DKK 100m</b>	100,000	100,000
Current interest rate	7.383%	5.765%
Date of maturity	01/05/2015	01/05/2015
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 01/05/2012.		
<b>Supplementary capital of DKK 100m</b>	100,000	
Current interest rate	6.673%	
Date of maturity	18/02/2016	
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 18/02/2013.		

# Notes to the Annual Report

Note no.	2008 DDK t	2007 DDK t
<b>28 Supplementary capital of DKK 100m</b>	100,000	
Current interest rate	6.673%	
Date of maturity	22/02/2016	
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 22/02/2013.		
<b>Supplementary capital of DKK 25m</b>	25,000	
Current interest rate	7.273%	
Date of maturity	03/03/2014	
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 03/03/2011.		
<b>Supplementary capital of DKK 25m</b>	25,000	
Current interest rate	6.523%	
Date of maturity	03/03/2016	
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 03/03/2013.		
<b>Supplementary capital of DKK 50m</b>	50,000	
Current interest rate	6.532%	
Date of maturity	01/11/2013	
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 01/11/2010.		
<b>Supplementary capital of DKK 60m</b>	60,000	
Current interest rate	7.310%	
Date of maturity	20/08/2012	
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 20/08/2009.		
<b>Supplementary capital of DKK 100m</b>	100,000	
Current interest rate	7.433%	
Date of maturity	01/11/2013	
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 01/11/2010.		
<b>Supplementary capital of NOK 200m</b>	151,440	
Current interest rate	6.730%	
Date of maturity	01/09/2014	
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 01/09/2011.		
<b>Supplementary capital of DKK 50m</b>	50,000	
Current interest rate	6.373%	
Date of maturity	31/10/2015	
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 31/10/2012.		
<b>Hybrid core capital of DKK 100m</b>	97,041	
Current interest rate	4.765%	
No date of maturity		
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 15/11/2015.		

Note no.	2008 DDK t	2007 DDK t
<b>28 Total subordinated debt</b>	1,172,462	438,088
Subordinated debt to be stated as part of the capital base	1,172,462	438,088
Costs in connection with raising loans	0	0
Interest relating to subordinated debt included in the income statement	46,102	21,720
<b>29 Share capital</b>		
Number of shares of DKK 10 (no. of units)	12,500,000	8,600,000
Total share capital	125,000	86,000
<b>30 Own shares</b>		
<b>Beginning of period</b>		
Number of own shares in units of 1,000	335	136
Face value in DKK 1,000	3,353	1,361
Percentage of share capital	3.9%	1.5%
<b>Additions</b>		
Acquisition of own shares in units of 1,000	1,215	1,032
Face value in DKK 1,000	12,153	10,320
Percentage of share capital	9.7%	12.0%
Total acquisition price in DKK 1,000	188,502	322,501
<b>Outflow</b>		
Sale of own shares in units of 1,000	1,257	633
Own shares annulled in units of 1,000	0	200
Total outflow in units of 1,000	1,257	833
Face value in DKK 1,000	12,560	8,328
Percentage of share capital	10.0%	9.7%
Total sales price in DKK 1,000	195,460	199,104
<b>End of period</b>		
Number of own shares in units of 1,000	294	335
Face value in DKK 1,000	2,946	3,353
Percentage of share capital	2.4%	3.9%
Trading of own shares is part of the Bank's general share trading.		
<b>31 Contingent liabilities</b>		
Financial guarantees	3,395,171	1,625,978
Loss guarantees for mortgage credit loans	808,770	1,896,413
Land registration and conversion guarantees	760,303	380,295
Other contingent liabilities	1,766,468	1,536,204
Total	6,730,712	5,438,890
<b>Other contingent liabilities</b>		
Other liabilities	10,544	2,803
Total	10,544	2,803

# Notes to the Annual Report

Note no.	2008 DDK t	2007 DDK t
<b>32 Capital requirement</b>		
Shareholders' equity at end of year	2,200,221	1,714,041
Proposed dividends	0	-43,000
Revaluation reserves	-30,848	-15,750
Intangible assets	-111,554	0
Deferred capitalised tax assets	-144,751	-4,777
Other deductions in core capital	-117,255	-54,848
Hybrid core capital	97,041	0
Core capital after deductions	1,892,854	1,595,666
Subordinated loan capital	1,075,421	438,088
Revaluation reserves	30,848	15,750
Capital base before deductions	2,999,123	2,049,504
Deductions in capital base	-117,255	-54,848
Capital base after reductions	2,881,868	1,994,656
Total weighted items	29,379,228	21,913,315
Core capital after deductions in percent of total weighted items	6.4%	7.3%
Solvency ratio according to section 124(2) of the Danish Financial Business Act	9.8%	9.1%
<b>Capital requirements incl. impairment pertaining to transfer of assets</b>		
Shareholders' equity, end of year	2,200,221	1,714,041
Proposed dividends	0	-43,000
Revaluation reserves	-30,848	-15,750
Intangible assets	-111,554	0
Deferred capitalised tax assets	-144,751	-4,777
Other deductions in core capital	-103,588	-54,848
Impairment pertaining to transfer of assets	273,345	0
Hybrid core capital	97,041	0
Core capital after deductions	2,179,866	1,595,666
Subordinated loan capital	1,075,421	438,088
Revaluation reserves	30,848	15,750
Capital base before deductions	3,286,135	2,049,504
Deductions in capital base	-103,588	-54,848
Capital base after reductions	3,182,547	1,994,656
Total weighted items	29,678,045	21,913,315
Core capital after deductions in percent of total weighted items	7.3%	7.3%
Solvency ratio according to section 124(2) of the Danish Financial Business Act	10.7%	9.1%
<b>33 Hedge accounting</b>		
To cover interest rate risks, the following have been hedged:		
<b>Bonds</b>	281,710	157,465
Covered through interest rate swap		
Synthetic principal	311,957	168,023
Current value	-11,362	4,804



Note no.	2008 DDK t	2007 DDK t
<b>33 Loans and advances at amortised cost price</b>	444,520	152,507
Covered through interest rate swap / caps		
Synthetic principal	353,842	152,507
Current value	-4,101	4,576
Covered through foreign exchange swap		
Synthetic principal	53,474	0
Current value	-739	0
Covered through interest rate cap		
Synthetic principal	37,204	0
Current value	-215	0
<b>Deposits</b>	300,000	590,000
Covered through interest rate swap		
Synthetic principal	300,000	590,000
Current value	5,098	-5,999
<b>Subordinated debt</b>	97,041	0
Covered through interest rate swap:		
Principal	100,000	0
Market value	-3,315	0
<b>To cover foreign exchange risks, the following have been hedged:</b>		
<b>Issued bonds</b>	1,779,420	1,496,160
Covered through interest rate swap		
Principal	1,779,420	1,496,160
Current value	-338,326	10,743
<b>Subordinated debt</b>	213,981	238,088
Covered through foreign exchange swap		
Principal	213,981	238,088
Current value	-27,728	-3,429
<b>33a Reclassification of assets</b>		
Reclassification has been performed as at 1 July 2008 with the following amounts:		
The item "Loans and advances and accounts receivable at amortised cost price" has been increased by	32,606	
The item "Bonds carried at current value" has been decreased by	32,606	
Booked value of reclassified assets at 31 December	32,606	
Current value of reclassified assets at 31 December	13,355	
Difference, which has affected profit for the year before tax positively by	19,251	
The reclassified assets have been current value adjusted in the financial year with	0	
Reclassification has been performed on selected corporate bonds.		
Bonds have been obtained at an average interest rate, and we expect payments on time and redemption on the date of maturity.		

# Notes to the Annual Report

Note no.	2008 DDK t	2008 DDK t	2007 DDK t	2007 DDK t
	Nominal value	Net market value	Nominal value	Net market value
<b>34 Financial instruments</b>				
<b>Foreign exchange contracts</b>				
Forward contracts/futures, acquisition	5,832,389	220,218	1,360,756	-11,343
Forward contracts/futures, sale	10,132,280	-122,650	2,884,359	48,216
Options, acquired	401,395	0	85,105	0
Options, issued	1,561,925	-382	857,018	0
Swaps, acquisition	2,180,902	-376,788	1,734,248	7,314
Swaps, sale	134,027	9,810	0	0
<b>Interest rate contracts</b>				
Forward contracts/futures, acquisition	690,770	6,333	273,438	-344
Forward contracts/futures, sale	454,462	-5,347	26,414	197
Swaps, acquisition	2,162,516	-60,099	1,923,435	2,256
Swaps, sale	601,365	11,656	313,634	-1,872
Options, acquired	0	0	0	0
Options, issued	81,957	-1,414	0	0
Caps, acquisition	65,108	-185	0	0
Caps, sale	27,904	-30	0	0
<b>Share contracts</b>				
Forward contracts/futures, acquisition	26	-40	25	109
Forward contracts/futures, sale	26	40	25	-109
Options, acquired	1	1	79	0
Options, issued	230	-243	131	-44
<b>Commodities contracts</b>				
Forward contracts/futures, acquisition	265	-47	0	0
Forward contracts/futures, sale	265	47	0	0
<b>Total net market value</b>		-319,120		44,380
All contracts regarding financial instruments are non-guaranteed.				
<b>Maturity distribution by term to maturity - up to 3 months</b>				
<b>Foreign exchange contracts</b>				
Forward contracts/futures, acquisition	5,565,124	212,955	1,029,966	-6,894
Forward contracts/futures, sale	9,789,060	-123,916	2,617,882	19,849
Options, acquired	349,986	0	85,105	0
Options, issued	1,286,998	-382	111,358	0
<b>Interest rate contracts</b>				
Forward contracts/futures, acquisition	681,382	5,874	273,438	-344
Forward contracts/futures, sale	443,460	-4,970	26,414	197
Swaps, acquisition	500,000	-16,363	590,000	1,976
Options, issued	81,957	-1,414	0	0
<b>Share contracts</b>				
Forward contracts/futures, acquisition	26	-40	25	109
Forward contracts/futures, sale	26	40	25	-109
Options, acquired	1	1	79	0
Options, issued	226	-205	131	-44

Note no.	2008 DDK t	2008 DDK t	2007 DDK t	2007 DDK t
	Nominal value	Net market value	Nominal value	Net market value
<b>34 Maturity distribution by term to maturity - from 3 months up to 1 year</b>				
<b>Foreign exchange contracts</b>				
Forward contracts/futures, acquisition	267,265	7,263	326,222	-4,321
Forward contracts/futures, sale	343,220	1,266	257,341	28,112
Options, acquired	51,409	0	0	0
Options, issued	274,927	0	745,660	0
Swaps, acquisition	10,000	-268	0	0
Swaps, sale	10,000	268	0	0
<b>Interest rate contracts</b>				
Forward contracts/futures, acquisition	9,388	459	0	0
Forward contracts/futures, sale	11,002	-377	0	0
Swaps, acquisition	506,202	-13,040	1,050,000	-7,676
Swaps, sale	2,235	20	0	0
<b>Share contracts</b>				
Options, issued	0	0	0	0
<b>Commodities contracts</b>				
Forward contracts/futures, acquisition	265	-47	0	0
Forward contracts/futures, sale	265	47	0	0
<b>Maturity distribution by term to maturity - from 1 to 5 years</b>				
<b>Foreign exchange contracts</b>				
Forward contracts/futures, acquisition	0	0	4,568	-128
Forward contracts/futures, sale	0	0	9,136	255
Swaps, acquisition	2,105,453	-373,526	1,734,248	7,314
Swaps, sale	112,052	7,472	0	0
<b>Interest rate contracts</b>				
Swaps, acquisition	574,253	-10,438	0	0
Swaps, sale	446,828	9,878	313,634	-1,872
<b>Maturity distribution by term to maturity - from 5 years and beyond</b>				
<b>Foreign exchange contracts</b>				
Swaps, acquisition	65,449	-2,994	0	0
Swaps, sale	11,975	2,070	0	0
<b>Interest rate contracts</b>				
Swaps, acquisition	582,061	-20,258	283,435	7,956
Swaps, sale	152,302	1,758	0	0
Caps, acquisition	65,108	-185	0	0
Caps, sale	27,904	-30	0	0
<b>35 Unsettled spot transactions</b>				
Foreign exchange transactions, bid	826,507	10,340	195,419	-44
Foreign exchange transactions, call	171,291	-9,743	43,331	10
Interest rate transactions, bid	65,885	100	56,635	7
Interest rate transactions, call	77,278	-120	50,787	38
Share transactions, bid	26,199	334	16,702	-480
Share transactions, call	27,183	-294	12,389	-153
<b>Total</b>	<b>1,194,343</b>	<b>617</b>	<b>375,263</b>	<b>-622</b>



*In vestjyskBANK, we are oriented towards sound growth and solid financial latitude for our customers as well as ourselves. Our Head Office is situated in Lemvig, while our branches are located in 24 towns in Jutland and on the island of Funen. The Bank has 740 employees, who work with approximately 100,000 retail customers and approximately 10,000 corporate customers. At present, the Bank has a business volume of DKK 47.2bn. vestjyskBANK applies value-based management based on our three core values: PRESENCE, COMPETENCE and DYNAMISM.*

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