

2010

vestjyskBANK ANNUAL REPORT



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Management's Review

Improved market conditions but only moderate growth expected

Little by little, after two years of widespread international crisis and recession, we regained our footing in 2010. While several southern European economies are still burdened by large public deficits and significant socioeconomic uncertainty, the scenario in Denmark is more positive, with slightly increasing economic growth and the labour market stabilising after a period of rising unemployment.

A significant reason for the more optimistic forecast is the number of public measures that have been implemented to help the Danish economy through the crisis. Substantial fiscal relief measures have been initiated and Danmarks Nationalbank's borrowing rate has been reduced by 270 basis points since the beginning of 2009. Simultaneously, aid packages directed at the financial sector have been implemented along with increased regulation.

Having said that, the Danish economic recovery is nevertheless tentative and slow. Even as market conditions are normalising, there are industry segments and businesses whose existence is being heavily challenged. Thus, 2010 was a difficult year for agriculture and retailers, and small to mid-sized companies were similarly exposed to a long period of unfavourable conditions.

Although the difficult market conditions affected many of our activities and vestjyskBANK's earnings during the first half of 2010, we nevertheless managed to concentrate our efforts on achieving the goals we set for ourselves at the beginning of the year.

Core income and earnings rose throughout the year, thanks to our focus on strengthening customer relations, realising synergies and cost savings and optimising processes. Over the course of the year, we were able to work with our customers and managed to reduce impairments in relation to 2009.

As we enter a new fiscal year, we recognise that much economic uncertainty still remains and that the market conditions are still challenging. Even though we are beginning to see improvements, a significant upswing does not appear to be imminent. For this reason, our work in securing critical mass with respect to business volume, reducing costs and refining our business strategy platform is critically important. The importance of this work is reflected in our need to ensure continued progress in terms of operations and to maintain a position in terms of liquidity and capital that corresponds to the Bank's objectives and outside expectations of a large, well-consolidated bank.



With our cautious optimism with respect to market developments, we have decided to use our position and strong business platform to sharpen our focus on liquidity, funding, credit and responsible banking. These are the key components of our ambitious plans for vestjyskBANK's objectives and strategy up to 2013, and we are presenting them in the following pages with a plan to translate vestjyskBANK's expert advisory services, opportunities for high returns and broad framework for personal development into an even more attractive bank for our customers, shareholders and employees.

Frank Kristensen
CEO

Preben Knudsgaard
Managing Director

Management's Review

Strategic and Financial Goals

vestjyskBANK is a full-service bank that ranks among the 10 largest in Denmark. Based in the Western Jutland heartland, vestjyskBANK offers its 110,000+ corporate and retail customers a full range of banking, pension and insurance products via its headquarters in Lemvig, Denmark, along with a well-developed branch network in Jutland and one branch on Funen.

The key business areas for retail customers are real estate, investing and pension. We provide our corporate customers broad coverage of all industries focusing on servicing the needs of small and mid-sized businesses. We have special expertise within the areas of agriculture and fisheries, supplemented by niche areas such as wind turbines, the private health sector and leisure.

vestjyskBANK's ambition to rank among the top-earning banks

Through responsible and smart banking, vestjyskBANK's long-term goal is to create a platform to grow into one of the top-three earning Group II Banks in Denmark, measured by return on equity.

We anticipate that the Bank's business volume will grow in concert with the general macroeconomic trends and that this growth will take place without an increase in the difference between lending and borrowing. However, we expect that the distribution of lending across corporate and retail customers will change over time, thereby increasing our share of retail customers.

Since we anticipate our growth in business volume to be only moderate, the Bank's operational focus will be on securing improved returns on each balance-sheet krone by, in principle, utilising our existing branch network and the present distribution channels even more efficiently. Management's assessment is that the tighter conditions including the more restrictive national and international regulatory requirements for, among other things, liquidity and capital will result in continued consolidation of the financial sector. vestjyskBANK will be using its size and strength to contribute to such a consolidation if deemed strategically sound and if such consolidation serves to realise the Bank's long-term objectives.

In terms of customers and advisory services, we want vestjyskBANK to continue to be known for offering simple, clear and competitive products with a focus on ethics and integrity in our banking, so that we can retain our long-term relationships with customers.

Strategy and objectives for the period 2011-2013

Management has defined a number of objectives for the period ending in 2013 where the Bank's primary task will be to optimise earnings

and consolidate its position. Specifically, this means that the Bank expects that, for the period, it will

- Maintain present lending levels but increase business volume with individual customers, based on an increase in non-capital intensive transactions,
- Maintain costs at present nominal levels plus inflation, so that the rate of cost will decline to about 52 by the end of the period, including expenses relating to government hybrid core capital,
- Reduce its impairment of loans to 0.75 percent of loans and guarantees, since market conditions are expected to normalise only slowly, and
- Increase its return on equity before tax to 15 percent in 2013.

In relation to the forecasts made in the 2009 Annual Report, the Bank's anticipated timeframe for realising a 15 percent rate of return on equity has been extended by a year. The reason for this is that impairments of loans are expected to decline more slowly than first assumed as a result of the crisis.

The objectives set for the end of 2013 will be reached by continuing to optimise the Bank's operational procedures and business platform. We intend to strengthen our areas of business expertise further by consolidating our business advisory services in larger advisory services centres. For retail customers we intend to target our efforts on attracting new customers and increasing our business volume with existing customers by offering our full retail banking products at attractive prices by focusing on such services as vestjyskVÆRDIPLEJE, vestjyskPENSIONSPULJE og vestjyskKOMPASSAMTALE. In terms of operations, we intend to focus our attention not only on leveraging the business volume generated in recent years and which will keep the rate of cost low as business volume increases, but also on maintaining a credit policy emphasising high creditworthiness for commitments and a focus on risk assessment and diversification by size and industry.

vestjyskBANK's goal is for surplus liquidity to total 50 percent in relation to statutory requirements. With a surplus of 126.9 percent at year-end 2010, this goal has been met. It is also expected to remain sound and above target for the period up to and including 2013.

Management will be paying increased attention to the Bank's funding in the coming years. vestjyskBANK's strategy is to diversify the portion of the Bank's funding requirements not covered by deposits and equity across maturity dates. As we approach 2013, we will therefore seek to refinance the loans of DKK 7.8 billion obtained under the individual government guarantee. These efforts will begin in 2011.

Through its optimisation of banking operations, vestjyskBANK intends to strengthen its capital base so that the core capital ratio at year-end 2013 will be at 13 to 14 percent, which is above the solvency target of 12 percent.

The goals set out above assume an annual growth in GNP for the period of 1 to 2 percent, that unemployment will be at about four percent trending downwards and that there will be a rise in the interest rate level (CIBOR) of about 100 basis points until year-end 2013.

Supervisory Diamond Limit Values

In 2010 the Danish Financial Supervisory Authority launched its so-called Supervisory Diamond (Tilsynsdiamanten), which specifies limit values for a number of special risk areas within which banks, in principle, should remain. These values will enter into effect at year-end 2012.

vestjyskBANK's goal is to continue to remain within the limit values for the five parameters specified below:

Limit values	End of 2010 (realised)	Beginning of 2011 to end of 2013 (expected)
Major commitments, total (< 125%)	40.6%	Max. 40-60%
Growth in loans (< 20%)	-1.7%	0-3%
Property exposure (< 25%)	17.6%	Max. 20%
Funding ratio < 1	0.84	0.8-1.0
Liquidity surplus > 50 pct.	126.9%	75-100%

Expectations for 2011

Assuming a macroeconomic scenario with no-to-little growth, a slight increase in interest levels and no change in unemployment, vestjyskBANK anticipates that the 2011 fiscal year will present yet another challenge to its customers. However, the prospects are somewhat brighter this year than the same time last year.

The Bank's business volume is expected to rise over the course of the year. This rise is expected to come about as a result of a targeted effort in respect of deposits, which are anticipated to grow 5 to 10 percent in relation to year-end 2010. These efforts will include both a focus on recovering a number of the fixed-term deposits the Bank lost in connection with the expiration of Bank Package I (Bankpakke I) and the opportunities for deposits in fixed-rate high-interest ac-

counts and the cash portion of pension funds. With respect to lending, vestjyskBANK anticipates that it will maintain the same stable level that has applied since 2008. It is expected that instalments paid on an ongoing basis will be replaced by new lending to existing and new customers.

vestjyskBANK's core income is anticipated to grow moderately in 2011. The interest margin has been expanded gradually throughout 2010, and its present level is expected to be maintained in 2011. In respect of fees, 2011 levels will remain largely unchanged at 2010 levels since the Bank is anticipating lower levels of activity in the mortgage credit area and higher levels of activity in the securities area.

The Bank's cost level for 2010 declined by DKK 33 million compared to 2009, and Management expects that it will be able to maintain the present cost level in anticipation of a slight rise in the level of activity over the next years. It is anticipated that the rate of cost for 2011 will be 55, corresponding to the realised rate for 2010.

vestjyskBANK's core earnings for 2011 are accordingly expected to total DKK 500 million before impairment - the same as for 2010.

Impairments of loans are expected to continue the positive trend from the second half of 2010 and are expected, annualised for 2011, to be at about 1 percent of loans and guarantees. However, we emphasise that there is still great uncertainty regarding this item in light of the uncertain economic trends.

Earnings from the Bank's own holdings of securities are expected to be at level zero due to expectations of an increase in interest rates.

Management therefore expects a return on equity of 10 percent at the beginning of the year.

The Bank's expectations for 2011 do not include recognition of the fallout from the bankruptcy of Amagerbanken and thereby vestjyskBANK's liabilities to the Guarantee Fund for Depositors and Investors, where vestjyskBANK's share totals 1.49 percent.

Management's Review

Quarterly Financial Highlights and Key Figures

	Q4	Q3	Q2	Q1	Q4
	2010	2010	2010	2010	2009
Financial Highlights					
Statement of Income (Figures in MDKK)					
Net interest income	213	210	203	191	187
Net fee income	62	51	64	56	61
Dividends on equity securities etc.	0	0	3	0	0
Market value adjustments for foreign currency and sector shares	1	17	12	7	17
Other operating income	1	3	3	2	0
Core income	277	281	285	256	265
Operating expenses and operating depreciations and amortisations	-143	-151	-152	-162	-154
Core earnings before impairments	134	130	133	94	111
Impairments of loans and receivables etc., excl. the Private Contingency Association (Det Private Beredskab)	-83	-48	-163	-51	-176
Core earnings after impairments	51	82	-30	43	-65
Other market value adjustments	10	19	-35	18	21
Profit after market value adjustments	61	101	-65	61	-44
The Private Contingency Association	0	-66	-54	-28	-46
Profit/(loss) before tax	61	35	-119	33	-90
Tax	-15	-10	30	-9	25
Net profit/(loss) for the year	46	25	-89	24	-65
Statement of Financial Position (Figures in MDKK)					
Assets, total	33,577	34,088	39,658	34,077	32,838
Loans	23,468	23,711	23,954	23,798	23,874
Deposits, including pooled funds	15,564	15,506	17,353	18,430	18,635
Contingent liabilities	4,485	5,107	5,933	5,958	5,715
Business volume	43,517	44,324	47,240	48,186	48,224
Equity	2,171	2,125	2,099	2,190	2,149

Key Figures	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009
Solvency					
Solvency ratio	13.7%	13.5%	13.9%	14.6%	14.7%
Core capital ratio	11.5%	11.0%	10.4%	11.3%	11.4%
Earnings					
Return on equity before tax, annually (1)	11.2%	6.6%	-22.3%	6.2%	-16.3%
Return on equity after tax, annually (1)	8.4%	4.9%	-16.8%	4.5%	-11.9%
Income/cost ratio (2)	1.27	1.13	0.68	1.14	0.76
Cost ratio (3)	51.5%	53.7%	53.5%	63.3%	57.9%
Employees converted to full-time (average)	631.6	645.0	643.2	647.8	647.4
Market risk					
Interest rate risk (4)	-1.9%	-2.7%	-2.6%	-2.9%	-1.6%
Foreign currency position (5)	4.7%	4.7%	10.9%	9.5%	3.9%
Foreign currency risk	0.1%	0.1%	0.1%	0.1%	0.1%
Excess cover in relation to statutory liquidity requirements (6)	126.9%	128.1%	219.9%	139.3%	125.8%
Credit risk					
Loans plus impairments on loans in relation to deposits	160.3%	163.6%	147.5%	136.4%	135.0%
Loans in relation to equity	10.8	11.2	11.4	10.9	11.1
Growth in loans for the period (8)	-1.0%	-1.0%	0.7%	-0.3%	1.3%
Total of large commitments (7)	40.6%	40.2%	53.3%	37.5%	38.1%
Accumulated impairment ratio	5.1%	5.9%	5.6%	5.3%	5.1%
Impairment ratio for the year	0.3%	0.3%	0.6%	0.2%	0.6%
vestjyskBANK share					
Profit/(loss) per share for the period (denomination DKK 10)	3.7	2.1	-7.2	2.0	-5.3
Equity value per share (denomination DKK 10)	175.1	171.4	169.3	176.4	175.8
Price of vestjyskBANK shares, end of the year	68.5	68.0	79.5	83.0	87.0
Market price/profit/(loss) for the period per share	19.0	32.5	-11.0	42.2	-16.3
Market price/equity value per share	0.4	0.4	0.5	0.5	0.5

1 On the basis of the average equity

2 Income from ordinary activities in relation to costs from ordinary activities.
Income from ordinary activities = net interest and fee income + market value adjustments + other operating income. Costs from ordinary activities = personnel and administrative expenses + depreciation, amortisation and impairment losses; property, plant and equipment as well as intangible assets + other operating expenses + impairment of loans and receivables etc.

3 Operating costs as well as depreciation, amortisation and impairment losses; property, plant and equipment as well as intangible assets / core income

4 Interest rate risk in relation to core capital, less deductions

5 Foreign Exchange Indicator 1 in relation to core capital, less deductions

6 Excess cover in relation to the 10 percent requirement set out in sec 152 of the Danish Financial Business Act

7 Commitments exceeding 10 percent of the capital base in relation to the capital base. The method of accounting has been changed for 2010, cf. new executive order.

8 Growth in loans measured in relation to vestjyskBANK's loans, beginning of the year

Management's Review

Statement of Income

Earnings

In 2010 vestjyskBANK's core earnings before impairment were realised at DKK 491 million marginally below the stated expectations for core earnings of DKK 500 million before impairment, which the Bank has maintained since its 2009 Annual Report.

In 2010 vestjyskBANK realised profits of DKK 10 million before tax and DKK 6 million after tax. The result, which was significantly impacted by expenses of DKK 148 million relating to the Private Contingency Association, Bank Package I, as well as impairment of loans of DKK 345 million, is considered acceptable in the light of the difficult economic conditions that continued into 2010. However, in general terms, the results must be deemed unsatisfactory.

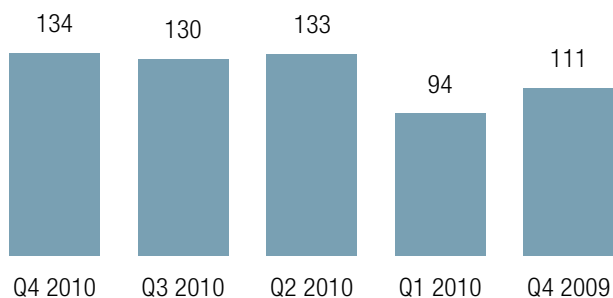
After the end of the reporting period, the government-owned Financial Stability Company (Finansiel Stabilitet) has taken over Amagerbanken after it entered bankruptcy proceedings. vestjyskBANK has a small net credit as part of its general trading activities with the bank. The Bank's expectations for 2010 do not include recognition of the fallout from the bankruptcy of Amagerbanken and thereby vestjyskBANK's expenses related to liabilities to the Guarantee Fund for Depositors and Investors for depositors, where vestjyskBANK's share totals 1.49 percent, currently estimated at DKK 35.8 million.

No dividends are proposed for 2010.

Fourth quarter earnings

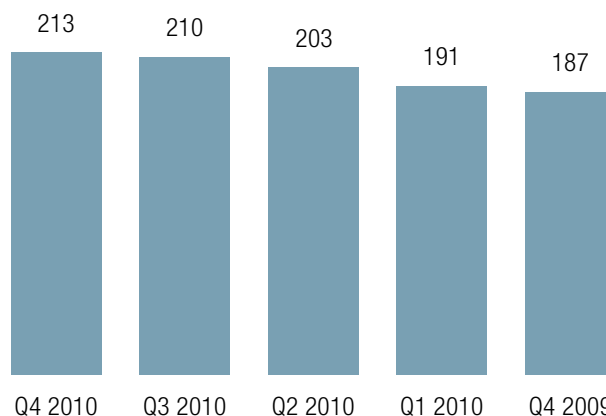
Earnings for Q4 2010 showed satisfactory profits of DKK 61 million before tax.

CORE EARNINGS by quarterly periods (Figures in MDKK)



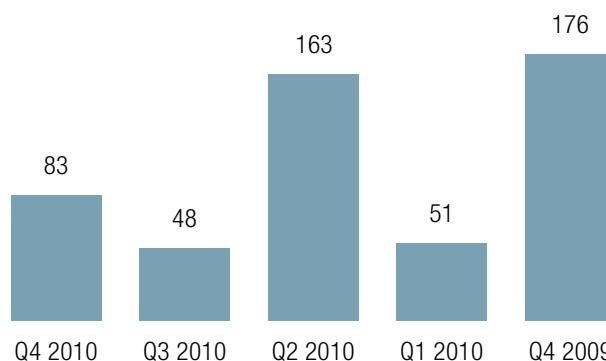
Net interest income continues the quarterly positive trend.

NET INTEREST INCOME by quarterly periods (Figures in MDKK)



Additionally, impairment of loans and guarantees were realised at DKK 83 million slightly higher than anticipated in the Bank's Q3 2010 report.

IMPAIRMENT OF LOANS by quarterly periods (Figures in MDKK)

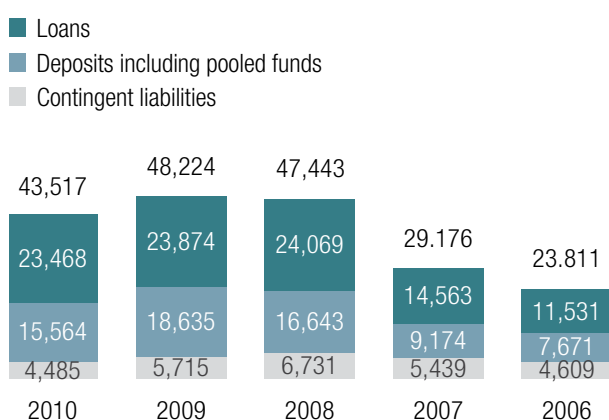


Business volume

Business volume totalled DKK 43.5 billion at year-end 2010, compared to DKK 48.2 billion at the same time last year. The change in business volume is a result of a decrease of DKK 0.4 billion in loans, a reduction in guarantees of DKK 1.2 billion, most significantly as a result of a decline in financial guarantee contracts as well as a decline in deposits of DKK 3 billion, of which DKK 1.8 billion by itself most significantly in fixed-term deposits during Q3 in connection with the expiration of Bank Package I.

Customers' holdings of securities in custody accounts totalled DKK 10.2 billion at year-end 2010, compared to DKK 9.2 billion in 2009.

BUSINESS VOLUME growth (Figures in MDKK)



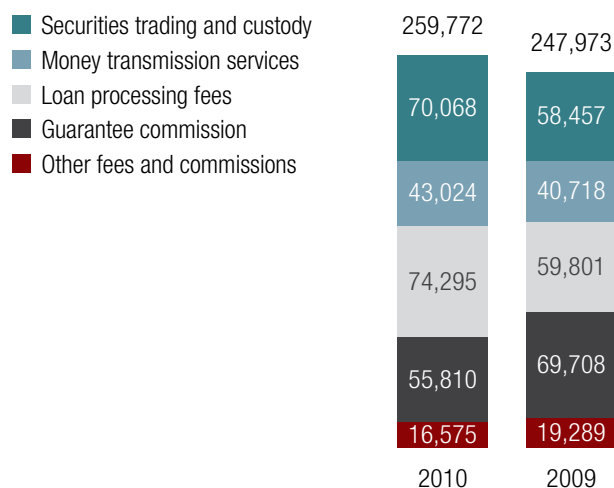
Core income

Total net income from interest and fees was realised at DKK 1,050 million in 2010 compared to DKK 1,014 million last year. From the perspective of the entire year, net interest income was slightly smaller than expected, since interest margin increases had not been fully realised in Q1 2010; there were also additional costs associated with the increased liquidity of Q2 and Q3 2010.

However, this was somewhat counterbalanced by the rise in income from fees and commissions of DKK 8 million to DKK 233 million from 2009 to 2010. Earnings from securities trading and custody services increased by 20 percent; commissions for mortgage intermediation increased by 24 percent; and payment services also showed a small increase. However, guarantee provisions decreased by 20 percent as a result of a lower guarantee balance due to the quicker procedures resulting from the introduction of digital registration.

The income from securities trading and custody services was a result of our increased focus on the products vestjyskVÆRDIPLJE, used for free funds and pension funds, and vestjyskPENSIONSPULJE, which is solely used for pension funds.

FEES and commissions (Figures in TDKK)



Income from the intermediation of mortgages to Totalkredit rose from DKK 49.8 million in 2009 to DKK 52.3 million in 2010, and the outstanding amount from bonds on intermediated Totalkredit loans totalled DKK 17.2 billion at year-end.

Income from intermediating mortgages for DLR Kredit rose from DKK 20.3 million in 2009 to DKK 22.1 million in 2010, and the outstanding amount from bonds on intermediated loans in DLR Kredit totalled DKK 7.8 billion at year-end of which loans to agriculture totalled DKK 6.1 billion.

Market value adjustments of foreign currency items and sector shares totalled DKK 37 million in 2010. Market value adjustments of foreign currency items totalled DKK 23 million and were primarily realised on customers' currency transactions.

Market value adjustments for sector shares that is, shares held by vestjyskBANK in companies with whom it collaborates within the sector totalled DKK 14 million in 2010, compared to DKK 18 million in 2009.

Other operating income

Other operating income includes profits of DKK 9 million, primarily from the disposal of an acquired property.

Expenses

Operating expenses, including depreciation and impairment losses on property, plant and equipment, totalled DKK 608 million, which is in

Management's Review

Statement of Income

line with expectations. Compared to 2009, expenses for 2010 were reduced by 5 percent. The rate of cost was 55.3 percent compared to 59.2 percent for 2009. This development in expenses is considered satisfactory and a result of the Bank's sharp focus and ability to make regular adjustments.

Core earnings before impairment

Core earnings before impairment were realised at DKK 491 million, marginally below the announced expectations of DKK 500 million for the year, but an increase of 11 percent compared to 2009, where the amount that was realised was DKK 442 million.

Impairment of loans and receivables etc.

The socioeconomic situation improved only moderately compared to 2009, but the change that occurred, combined with vestjyskBANK's focus on maintaining a high level of creditworthiness for its loan commitments, has resulted in a significant reduction in the need for impairments in 2010. For all of 2010, impairments totalled DKK 345 million, compared to DKK 464 million in 2009, plus impairments of DKK 63 million relating to the Private Contingency Association, Bank Package I, and which therefore totalled DKK 408 million. That corresponds to an impairment ratio of 1.39 percent for loans and guarantees at year-end 2010, slightly above the most recently announced expectations of 1.35 percent. This was because the fourth quarter was more challenging economically than anticipated for some of our customers and that the number of loans and guarantees had been reduced.

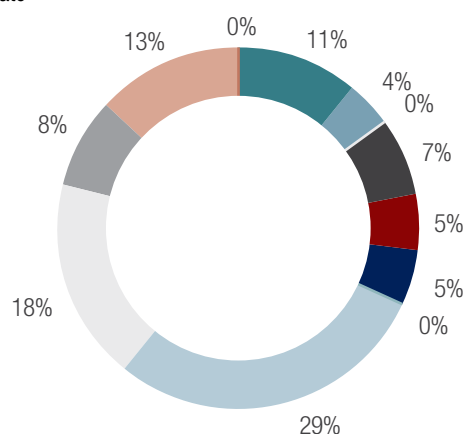
The need for impairment was evident across a broad cross-section of the Bank's corporate customers, mostly within the industry segments of real estate, financing and insurance, industry, mining and quarrying as well as agriculture. Impairments on retail customers continued to remain at low levels.

Impairments in groups declined by DKK 33.5 million; these were included in the DKK 408 million mentioned above. The primary change relating to impairments in groups consisted of adjustments to the parameters used in the segmentation model in relation to changes to the economic outlook. vestjyskBANK applies the approach prepared by the industry organisation Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (Lokale Pengeinstitutter), which has been modified to fit the Bank's specific conditions.

The accumulated impairment ratio was 5.1 percent at year-end 2010 unchanged in relation to last year. The distribution of the accumulated impairment ratio across industry segments is illustrated in the chart to the right.

ACCUMULATED IMPAIRMENTS *by industry*

- Public authorities
- Agriculture, hunting forestry and fishery
- Manufacturing industry, raw material extraction
- Energy supply
- Construction and civil engineering contractors
- Trade
- Transport, restaurant and hotel businesses
- Information and communication
- Credit and financing institutes and insurance businesses
- Real estate
- Other industries
- Private

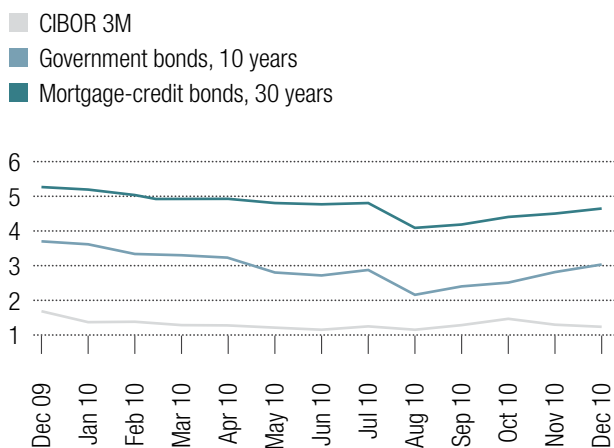


Other market value adjustments

The positive market value adjustments of DKK 12 million consisted of positive adjustments made to debt securities of DKK 34 million, positive value adjustments of equity securities of DKK 8 million, negative market value adjustments of derivative financial instruments of DKK 29 million and negative market value adjustments of other assets and liabilities etc. of DKK 1 million.

This result is reflective of the adopted low-risk profile associated with investments in, respectively, interest and equity securities. Both short-term and long-term bond yields declined in 2010.

INTEREST RATE *developments*



The Private Contingency Association (Det Private Beredskab)

In 2010 expenses relating to the Private Contingency Association totalled DKK 85 million in guarantee commission and DKK 63 million in impairments on loans in connection with the sector solution for banks undergoing winding-up proceedings by the Financial Stability Company (Finansiel Stabilitet). Bank Package I expired on 30 September 2010. Expenses relating to this are therefore no longer incurred. vestjyskBANK has paid a combined DKK 376 million to Bank Package I since 2008.

Statement of Financial Position

vestjyskBANK's financial position was DKK 33.6 billion at year-end 2010 compared to DKK 32.8 billion at year-end 2009.

Since year-end 2009, total loans have been reduced by DKK 406 million to DKK 23.5 billion, which, as expected, are therefore largely unchanged, compared to last year.

The business areas where vestjyskBANK has special experience and expertise include agriculture, fisheries, wind turbines, camping and leisure as well as the private health sector.

Earnings for the agriculture sector were also characterised by decline in 2010, even if there were nascent signs that market conditions were improving, especially for dairy and crop producers. Pig meat producers are still suffering from settlement prices that are too low

and cost levels that remain too high. Few producers have been able to achieve positive consolidation at present price levels. However, the earnings for mink producers have never been better, and this favourable trend for the industry segment is expected to continue into 2011.

The price of farm land has generally stabilised at a significantly lower level than before the crisis, and many farmers' equity is therefore under pressure. For this reason, we expect that consolidation will continue within that industry segment, where holdings will be combined into major units at the expense of small and mid-sized units. vestjyskBANK's loans to agriculture are distributed with 40 percent on dairy production, 32 percent on pig meat production and 14 percent on crop production, while the remaining portion covers mink, hobby farming and machinery cooperatives.

The fisheries industry is characterised by both a rise in quoted prices and large price increases in industrial fisheries. This trend is expected to continue in 2011.

The wind turbines financed by vestjyskBANK are still operating satisfactorily, and the repayment of loans is taking place faster than estimated, providing the Bank with opportunities to extend new loans to this segment. Loans to wind turbines totalled DKK 2.7 billion at year-end 2010. Within the camping and leisure segment as well as the private health sector, earnings also remained stable, while other small and mid-sized enterprises, including retailing, craftsmen and transportation enterprises as a whole were still affected by the unfavourable business conditions and characterised by decline.

vestjyskBANK's retail customers are located all over Denmark, but most reside in Western Jutland. The business platform for this segment consists primarily of general consumer loans as well as loans for detached and holiday houses. Losses incurred by retail customers are limited in extent.

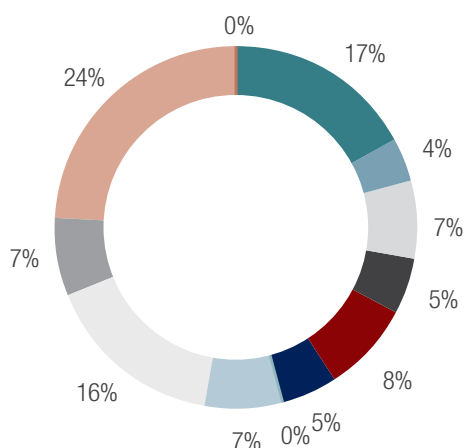
The item 'large commitments' defined under the law as commitments of or in excess of 10 percent of the capital base totalled 40.6 percent at year-end 2010; it covered three commitments in the range of 10-16 percent of the capital base.

Management's Review

Statement of Income

LOANS AND GUARANTEE DEBTORS by industry

- Public authorities
- Agriculture, hunting forestry and fishery
- Manufacturing industry, raw material extraction
- Energy supply
- Construction and civil engineering contractors
- Trade
- Transport, restaurant and hotel businesses
- Information and communication
- Credit and financing institutes and insurance businesses
- Real estate
- Other industries
- Private



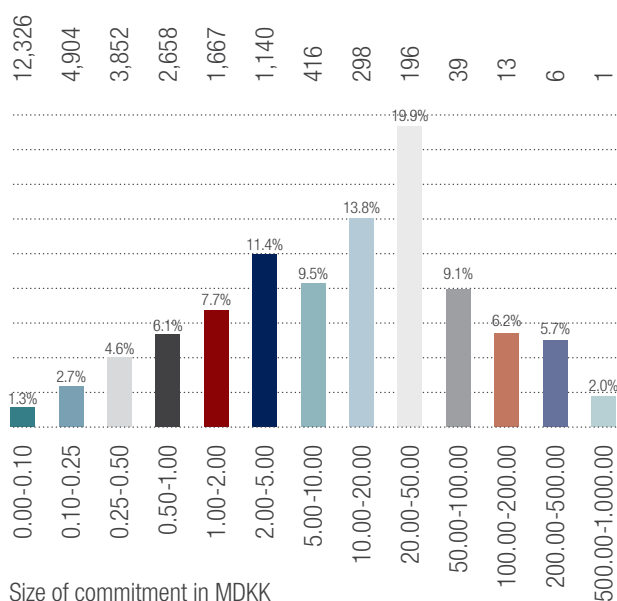
Commitments from DKK 0-2 million totalled approximately 22 percent (22 percent) of the Bank's loans and guarantees. Commitments in excess of DKK 2 million and up to DKK 10 million totalled approximately 21 percent (22 percent). Commitments in excess of DKK 10 million and up to DKK 50 million totalled approximately 34 percent (31 percent) and commitments in excess of DKK 50 million totalled approximately 23 percent (23 percent). The Bank's Management considers this diversification across engagement sizes satisfactory. The percentages in parentheses indicate figures at year-end 2009.

Deposits totalled DKK 14.4 billion at year-end 2010 compared to DKK 17.8 billion at year-end 2009.

In addition, there are deposits into pooled fund schemes of DKK 1.1 billion, which may not, however, be included in the funding. However, the determination of statutory liquidity does cover the underlying securities.

DIVERSIFICATION of loans and guarantees

Numbers of customers



Size of commitment in MDKK

Report on 2010 developments of loans at vestjyskBANK

In 2010 vestjyskBANK's maintained an unchanged credit policy compared to year-end 2009. In 2010, the Bank also consciously decided not to expand its loan portfolio. The loans not extended have primarily been issued as new loans to existing customers.

In handling credit, vestjyskBANK places great emphasis on having its commitments backed by collaterals. For this reason, new security is often required when commitments are changed or renegotiated and why loan prices are reassessed and prices raised.

The Bank monitors its asset mix continuously by distribution of commitments across geographic locations, industries, credit ratings and scores and in terms of the various types of collaterals the Bank receives.

In performing credit reviews of corporate customers, the Bank places great emphasis on the individual customer's cash flow and capacity to weather times of crisis. The Bank has noted that also throughout 2010 the socioeconomic trends had a deteriorating effect on the creditworthiness of our corporate customers. Some customers still have weak earnings and asset values have decreased. vestjyskBANK has therefore sharpened its focus on its credit risk.

The credit worthiness of our retail customer lending portfolio has not changed significantly in 2010. A major part of the Bank's retail customer portfolio is geographically located in areas that have experienced only limited real estate price increases during the good years, and are therefore not seeing the large decreases that other areas have experienced; on the other hand, these areas also do not expect any major increases if an economic upswing were to occur. This means that vestjyskBANK's retail customer portfolio remains sound and that it is not particularly characterised by over-mortgaged properties and technical insolvencies.

STATEMENT ON GROWTH IN LOANS AND GUARANTEES *before impairment and provisions (Figures in MDKK)*

Period 1 July to 31 December 2010	Total		Development	
	Start of year	End of year	Total	New customers
Public authorities	7,976	27,661	19,685	18,456
Corporate				
Agriculture, hunting and forestry	5,415,418	4,910,941	-504,476	32,733
Manufacturing business, raw material extraction, public service utilities	3,413,181	3,241,514	-171,668	35,847
Construction and civil engineering contractors	1,711,957	1,498,338	-213,618	14,585
Trade, restaurant and hotel business	3,161,123	2,235,985	-925,138	70,534
Transportation, mail and telecommunications	506,352	1,281,712	775,360	7,116
Credit and finance companies and insurance companies	2,235,980	2,410,569	174,589	1,071
Property administration and real estate, business services	5,968,848	4,903,697	-1,065,151	38,054
Other businesses	1,355,183	2,013,075	657,893	3,530
Total corporate	23,768,042	22,495,832	-1,272,210	203,470
Retail				
Mortgages	1,950,637	1,804,679	-145,958	29,483
Other consumer loans	5,859,472	5,066,547	-792,925	248,478
Non-consumer loans	67,820	53,124	-14,696	0
Total retail	7,877,929	6,924,350	-953,579	277,961
Total	31,653,947	29,447,842	-2,206,105	499,887

Capital and liquidity conditions

Equity

Equity totalled DKK 2,171 million at year-end 2010. The growth in equity since year-end 2009 is set out in the Statement of Changes in Equity.

Subordinated debt

Subordinated debt totalled DKK 2,269 million at year-end 2010, of which hybrid core capital from the government subject to Bank Package II totalled DKK 1,448 million. Hybrid core capital from the government accrues interest at 9.69 percent annually, which corresponds to an annual interest expense of DKK 139 million. Subordinated loans in the amount of DKK 362 million were settled in Q4 2010 and work is ongoing to raise new subordinated loan capital of DKK 300 million.

Management's Review

Statement of Income

TIER 2 CAPITAL by potential settlement date (1st call date) (Figures in MDKK)

2011.....	344
2012.....	150
2013.....	225
2014.....	1,448
2015.....	102
Total.....	2,269

Under the law, special rules apply to hybrid core capital subject to Bank Package II. Thus, no dilution of the capital may occur and buyback programmes aimed at impairing equity are therefore not permitted. Additionally, the tax credit issued will only be for 50 percent of Executive Board salaries.

TIER 2 CAPITAL by maturity date (final end date) (Figures in MDKK)

2014.....	344
2015.....	150
2016.....	225
Infinite.....	1,550
Total.....	2,269

Solvency

The capital base less deductions totalled DKK 3.8 billion at year-end 2010, which together with the risk-weighted items of a total of DKK 28.0 billion, produced a solvency ratio of 13.7 percent compared to 14.7 percent at year-end 2009.

The reduction in the solvency ratio from year-end 2009 to year-end 2010 can be attributed to the year's repayment of subordinated loan capital (see above).

The core capital ratio remained largely unchanged from year-end 2009 at 11.4 percent to year-end 2010 at 11.5 percent.

vestjyskBANK applies an expanded version of the standardised approach for measuring credit risk. The basic indicator approach is

applied to measure operational risk; and the standardised approach is applied to measure market risk.

Solvency needs

The individual solvency need for vestjyskBANK has been determined at 9.8 and the adequate capital base at DKK 2.7 billion, which can be compared with the capital base less deductions of DKK 3.8 billion. For a more detailed account of the Bank's solvency needs, please refer to the 2010 Risk Report, published simultaneously with the present Annual Report.

The differential between the capital base and the adequate capital case is what constitutes the surplus capital, which has been measured at DKK 1.1 billion, and which corresponds to 40 percent of the required capital base.

Liquidity

vestjyskBANK's loans have traditionally exceeded the Bank's deposits. In recent years the Bank has therefore raised loans and issued debt securities through both Danish and non-Danish credit institutions. At year-end 2010, these totalled DKK 10.3 billion. The maturity structures for these loans and debt securities are listed in the tables below. vestjyskBANK additionally has liquidity reserves consisting of undrawn committed credit facilities of DKK 500 million of which half will expire in June 2011 and the other half in December 2011.

COMMITTED LOANS and bonds in issue by maturity dates (Figures in MDKK)

2011.....	1,290
2012.....	969
2013.....	7,754
2014.....	240
Total.....	10,253

The deficit in deposits that is, the differential between loans and deposits rose in connection with the expiration of Bank Package I by DKK 1.8 billion and the deficit in deposits totalled DKK 7.9 billion at year-end 2010. It is expected that this difference will be reduced in 2011 as a result of our sharpened focus on increasing deposits through fixed-term deposits and by maintaining existing lending levels, among other things.

Out of vestjyskBANK's total deposits of DKK 15.5 billion, DKK 2.6 billion is not covered by the Guarantee Fund for Depositors and Investors.

At year-end 2010 the Bank's liquidity was good, and surplus funding in relation to statutory requirements remained stable at around 126.9 percent. The Bank's target for surplus funding in relation to statutory requirements is a minimum of 50 percent, and the Bank is therefore meeting its own target.

Under Bank Package I, the government provided banks with the opportunity for individual government guarantees for loans raised no later than by year-end 2010. In 2010 vestjyskBANK issued debt securities of a total of approximately DKK 7.8 billion subject to the individual government guarantees. These guarantees will remain in effect for three years from their exercise dates.

vestjyskBANK's liquidity and cash resource policies specify that loans must be financed by deposits, debt securities in issue and loans with lives of > 1 year, subordinated loans, as well as capital and reserves, less properties. As set out in the table below, the Bank has complied with these policies.

FINANCING of loans (MDKK)

	End of year 2010	End of year 2009	End of year 2008
Loans	23,468	23,874	24,069
Deposits, excl. pooled deposits	14,419	17,800	15,992
Bonds issued with a maturity date > 1 year	7,860	478	3,798
Loans with a maturity date > 1 year	1,119	1,889	4,630
Subordinated loans	2,269	2,597	1,172
Equity, less properties	1,805	1,764	1,870
Total	27,472	24,528	27,462
Equity	2171	2,149	2,196
Properties	366	385	326
Equity, less properties	1,805	1,764	1,870

In 2011 vestjyskBANK intends to commence raising loans not backed by government guarantees, in order to return to normal market con-

ditions, well ahead of 2013. It is the Bank's plan to spread out the maturity dates for the new loans so that the need for refinancing will be distributed across three to five years.

Allocation of profit for the year

The profit for the period has been added to the equity.

Matters pertaining to Management

Management did not undergo any changes in 2010.

Related parties

vestjyskBANK's related parties with significant influence comprise the members of the Bank's Supervisory and Executive Boards and senior executives as well as these persons' family members. Over the course of the year, the Bank has conducted normal trade with Peter Mortensen, butcher, and with Kaj Bech A/S, an enterprise wholly owned by Director Anders Bech, on arm's-length terms. Moreover, apart from what is considered normal management remuneration, no transactions have been carried out with related parties during the period.

Process for presenting the accounts

The Supervisory and Executive Boards have the overall responsibility for the Bank's control and risk management systems in connection with the process for presenting the accounts, including ensuring compliance with relevant laws and other rules and regulations related to presenting the accounts. The Bank's control and risk management systems can provide for reasonable, but not absolute, certainty that assets are not being misappropriated or misapplied, and that losses and/or material errors and omissions are avoided in connection with presenting the accounts.

The Supervisory Board performs an evaluation of the Bank's organisational structure, the risk of fraud, and verifies the presence of the Bank's internal rules and guidelines. The Supervisory and Executive Boards approve the general procedures and control mechanisms in significant areas in connection with the presentation of the accounts. The Executive Board monitors continuously that the relevant laws and other regulations and provisions related to presenting accounting are complied with and briefs the Supervisory on its findings on a regular basis.

The Supervisory Board performs an overall risk assessment in connection with the process for presenting the accounts. As part of this risk assessment, the Supervisory Board determines the risk of fraud and what measures are required to reduce and/or eliminate such risks. In that connection, discussions are held regarding any

Management's Review

Statement of Income

incentives/motives Management might have to manipulate the accounts or commit other kinds of fraud.

Events since the end of the financial year

After the reporting period ended, Amagerbanken has entered bankruptcy proceedings and the government-owned Financial Stability Company (Finansiel Stabilitet) has taken over the assets of the bank and a proportionate share of its simple claims via the wholly-owned Amagerbanken af 2011 A/S. vestjyskBANK holds a minor net balance in the bank of approximately DKK 4.5 million as part of its ordinary trading activities with the bank.

The Bank's expectations for 2010 do not include recognition of the fallout from the bankruptcy of Amagerbanken, including vestjyskBANK's expenses related to liabilities to the Guarantee Fund for Depositors and Investors, where vestjyskBANK's share totals 1.49 percent.

Management's Review

Corporate Governance

vestjyskBANK is covered by and bases its Corporate Governance Policy on the recommendations issued by the Committee on Corporate Governance in Denmark (Komitéen for god Selskabsledelse) and the Recommendations for Members of the Danish Bankers Association (Anbefalinger for Finansrådets medlemmer).

Please see vestjyskBANK's website for more details:
[http://www.vestjyskbank.dk/iwfile/WEBR-8EAGNS/\\$file/UK_Corporate_Governance.pdf](http://www.vestjyskbank.dk/iwfile/WEBR-8EAGNS/$file/UK_Corporate_Governance.pdf)

Audit Committee

vestjyskBANK formed an Audit Committee in 2009. The Committee's duties are discharged by the full Executive Board. Bjørn Albinus is the Chairman of the Audit Committee. Taking into account the Bank's size and complexity as well as Bjørn Albinus's education and business experience, the Bank's Supervisory Board believes that he possesses the required qualifications, as set out in the Executive Order on Audit Committees in Enterprises and Consolidated Enterprises subject to the Supervision of the Danish Financial Supervisory Authority (Bekendtgørelse om revisionsudvalg i virksomheder samt koncerner, der er underlagt tilsyn af Finanstilsynet). Bjørn Albinus has obtained his qualifications throughout a long career as board member and chief executive officer in Danish enterprises, including various listed companies. His responsibilities have included presenting financial reports under the International Financial Reporting Standards (IFRS). Bjørn Albinus is not presently or has not in the past been employed at vestjyskBANK or represented the interests of third parties in the Bank. Bjørn Albinus is not personally or by family related to persons who are not considered independent of vestjyskBANK.

The Audit Committee follows a work plan established by the Supervisory Board, and its duties include

- Supervising the process for presenting the accounts,
- Supervising whether the Bank's internal control measures, including internal auditing and risk management systems, are functioning properly,
- Supervising the statutory audit of annual reports, and
- Supervising and verifying auditors' independence, including especially the provision of additional services to the Bank.

Nomination Committee

vestjyskBANK formed a Nomination Committee in 2010. The duties of the Bank's Nomination Committee are discharged by the Bank's Chairman and Deputy Chairman. The duties of the Nomination Committee include:

- Describing the qualifications required by the Supervisory and Executive Boards as well as assessing the present expertise, knowledge and experience of the Supervisory and Executive Boards,
- Assessing the Supervisory and Executive Boards' structures, sizes, compositions and results as well as recommending changes to the Supervisory Board,
- Assessing the expertise, knowledge and experience of individual members of Management in relation to the composition of the Supervisory Board,
- Reviewing proposals from relevant persons, including shareholders and members of the Supervisory and Executive Boards, for candidates for executive positions, and
- Proposing for election candidates for the Supervisory and Executive Boards to the Supervisory Board.

Remuneration Committee

vestjyskBANK formed a Remuneration Committee in 2010. The duties of the Bank's Remuneration Committee are discharged by the Bank's Chairman and Deputy Chairman. The duties of the Remuneration Committee include

- Proposing the pay policy for the Supervisory and Executive Boards for the Supervisory Board's consideration ahead of the Annual General Meeting's adoption as well as performing the preparatory work for Supervisory Board decisions that may influence the Bank's risk management,
- Presenting proposals to the Supervisory Board for the remuneration of members of the Supervisory and Executive Boards as well as ensuring that such remuneration remains in compliance with the Bank's pay policy, and
- Monitoring that the disclosures in the Annual Report relating to remuneration of the Supervisory and Executive Boards are correct, fair and adequate.

The Supervisory Board held 13 meetings in 2010.

Management's Review

Accountability

In its Accountability Policy, vestjyskBANK focuses on three key areas consisting of employees, customers and the local communities of which we wish to play an active part. This does not mean that we do not work on accountability in areas such as the climate and the environment.

Reporting on accountability is something new for vestjyskBANK. Over the course of several years, however, we have worked with accountability as an integral part of our business through our vision, mission and values.

- **Mission:** Our steadfast and responsible approach to banking gives our customers the financial freedom they need.
- **Vision:** vestjyskBANK will be the most attractive business partner in the market. This means: Solid growth will ensure that vestjyskBANK will be among the best-earning financial institutions in Denmark. This will ensure the greatest possible influence on our own development and independence. At vestjyskBANK, customers will be serviced by 'full human beings' who share their basic values. Both customers and the Bank will create value, which in turn will result in mutual loyalty. vestjyskBANK will always be a workplace guided by its values, a workplace that attracts and retains dedicated employees who possess the required professional expertise and human qualities.
- **Values:** Steadfast, attentive, competent and dynamic. These are the values that shape our everyday conduct. We wish to be near our customers, and we want to show them that we are committed, attentive and engaged. We use value-based management as an active management tool focusing on the individual employee and it is expected that the individual employee comply with and assume responsibility for those values.

As stated above, people are very much our focus. Our Bank is about our customers, shareholders and employees, as well as those in the community and environment in which we live. vestjyskBANK is thus stakeholder-oriented rather than shareholder-oriented.

In the following, we will describe some of the actions into which the policy has been translated and what has been achieved.

Customers

vestjyskBANK aims at providing good and substantive advisory services. We employ concepts that ensure regular contact with our customers. Based on the individual customer's financial situation and needs, we offer simple and clear products.

In terms of investing, we offer the products vestjyskVÆRDIPLEJE and vestjyskPENSIONSPULJE, which contain only securities easily understood by our customers. Other securities are offered to customers only upon request.

Our plan is for customers to use self-service as much as possible for the purpose of ensuring lower costs both for them and for us. On this basis, we offer gebyrfriHVERDAG, a service with heavily discounted transaction fees and with the added benefit of saving the environment. gebyrfriHVERDAG is based on customers using NetBank and e-Boks (a service allowing customers to receive service letters etc. electronically). The fact that customers are prompted to use self-service options must not be a substitute for access to personal advisory services. vestjyskBANK is all about people, so we will continue to place our customers' needs front and centre, and we will primarily be basing our decisions on individual assessments and long-term considerations.

It is important to the Bank that our customers be afforded the opportunity to offer feedback and lodge complaints either via our website or through direct contact with an advisor, and the Bank will listen to all inquiries. Since our customers are pivotal for our business, it is important to vestjyskBANK that our relationships with customers are characterised by a high degree of ethics. This is reflected in the relatively low number of cases brought before the Danish Complaint Board of Banking Services as listed in the table below.

The Danish Complaint Board of Banking Services

Year	Decisions issued,		Complaints upheld		Complaints accommodated in part during review and otherwise upheld by		Upheld by Complaint Board	Denied
	total	Complaints upheld	in part	Complaint Board	Complaint Board			
2009	313	29	23	17	208	36		
Of which vestjyskBANK	2	0	0	0	2			
2010	416	67	24	11	236	78		
Of which vestjyskBANK	8	2	0	0	6			

At vestjyskBANK, the remuneration of employees must not be permitted to influence the advice we give customers, which is the reason vestjyskBANK does not give bonuses or have incentive plans for either Management or its employees.

In 2010 the uptime for vestjyskNETBANK was above 99.9 percent and was therefore satisfactory.

Under the law, our employees are subject to a duty of confidentiality, which gives our customers added protection.

At the present time, vestjyskBANK has not taken a position on whether there are objectives/sectors to which we do not wish to provide loans. We have also not taken a position on investing in securities based on the perspective of accountability.

Employees

It is important for vestjyskBANK that our vision be implemented in our day-to-day work. It must be complied with not only in our employees' contact with customers but also between the employees themselves.

vestjyskBANK strives to be a healthy workplace. Employees are offered resources to avoid occupational injuries, most significantly carpal tunnel syndrome. vestjyskBANK has also established the programme 'Get into a healthy habit,' which consists of health checkups, 'Workplace exercise' and 'We are biking to work,' among other things.

Workplace assessments are carried out every 2½ years. vestjyskBANK has a well-functioning Occupational Environment and Works Committee and a local agreement whose purpose it is to strengthen and streamline cooperation relating to the work environment and other areas of collaboration for the benefit of vestjyskBANK and individual employees.

The workplace has a care policy in place that aims at taking care of employees in crisis situations such as serious illness, or in the event of divorce or death, abuse, smoking and sick leave, among other things.

Employees have access to private health insurance policies at favourable terms in Codan Care.

The Bank takes care to accommodate employee requests relating to flexitime and provides for employees in the form of fixed amounts that can, among other things, be used for fruit or other healthy snacks in the workplace. vestjyskBANK has employees working flex jobs.

In 2010 an initiative was launched to prepare profiles for advisors for the purpose of ensuring that employees possess the required expertise. Every two years, staff development interviews are conducted in which development opportunities and expectations are discussed, and there are opportunities for both continuing education and work rotation within the organisation in connection with career development. Additionally, all managers undergo what we call 'the best executive development programme in the industry' vestjyskVIND which focuses on personal development and strategic growth for the Bank's branches.

For retired employees to be able to stay in touch with the Bank for which they have worked several years, vestjyskBANK has a pensioners' club.

Community

vestjyskBANK prioritises being involved in the local community. This is evidenced in vestjyskBANK's many sponsorships of sports, culture and charitable causes, among other things. The sponsorships cover a wide variety of causes from local athletic associations to elite sports.

Environment

vestjyskBANK wish to contribute to a cleaner environment and a more healthy way of living but will leave it up to each individual's own initiative. That is why we have posted information relating to energy and the environment on vestjyskBANK's website. There are, for example, instructions for how to obtain an energy audit, how to use the so-called Miljøberegner (environmental calculator) to assess the financial impact of making your house more energy-efficient as well as great tips for saving on your consumption of electricity, water and heat and how to get more mileage out of your car.

Internally, we have taken our first eco-friendly steps in the form of pre-sorting waste, so that non-confidential paper is sent for recycling, and lights are turned on and off by movement sensors in newly-built facilities and remodelled premises. We have also begun setting up facilities for videoconferencing so that we can reduce transportation to and from meetings etc. The use of videoconferencing is expected to increase in the coming years.

vestjyskBANK has not issued requirements to suppliers.

Management's Review

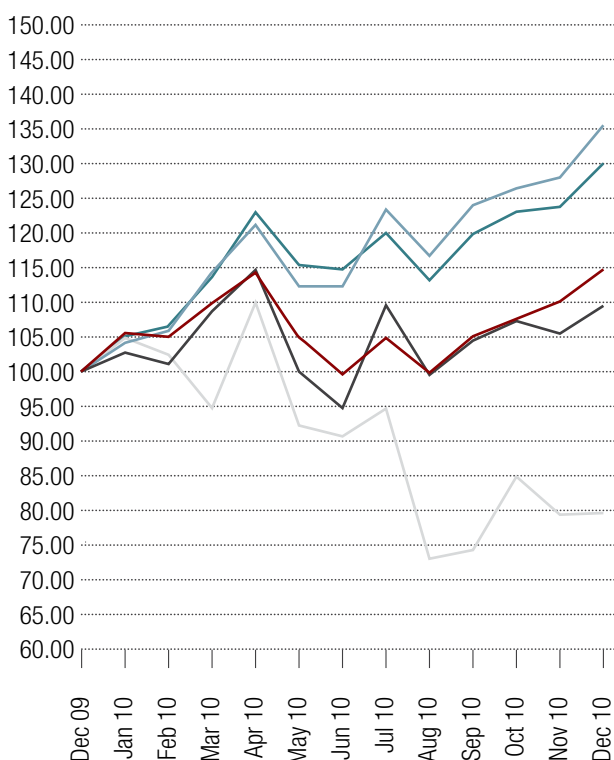
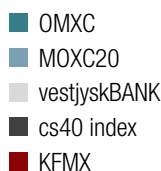
Capital Structure and Ownership

Capital

vestjyskBANK's share capital totals DKK 125 million with only one share class. All of the Bank's share capital is listed at NASDAQ OMX Copenhagen.

The nominal value of the share is 10 Danish kroner (DKK) and there are 12.5 million shares in issue. Shares must be registered by name to be accorded voting rights. The shares are freely negotiable. No shareholder is required to redeem his or her shares in part or in full. No shares confer special rights on any shareholder. Each share of DKK 10 represents one vote. No individual shareholder or voter by proxy issued by a party other than the Supervisory Board may vote for more than 3 percent of the share capital. At the Annual General Meeting on 16 March 2011, the Supervisory Board will propose for adoption that this voting right restriction be lifted.

MOVEMENTS in share index



In accordance with the wording of sec 55 of the Danish Companies Act, no shareholder has disclosed that he or she holds more than 5 percent of the total share capital.

At the Annual General Meeting on 17 March 2010, the Supervisory Board was authorised to acquire own shares of up to 10 percent of the share capital. At year-end 2010, vestjyskBANK holds 99,329 own shares, which corresponds to 0.75 percent of the total shares outstanding.

At the special shareholders' meeting held on 19 August 2009, the Supervisory Board was authorised to increase the share capital by a nominal value of DKK 62.5 million until 18 August 2014. Additionally, hybrid capital contributions made by the government may be converted for up to a nominal DKK 1.438 billion as specified in the detailed rules set out in the Bank's Articles of Association.

At year-end 2010, vestjyskBANK had 41,275 registered shareholders, holding 96.3 percent of the share capital. Five hundred and fourteen of these were non-Danish shareholders, who held 5.8 percent of the share capital. The 10 largest shareholders held 19.1 percent of the share capital, while 70 percent of the share capital was subscribed for by 3,823 shareholders. The shareholder group was characterised by its large number of shareholders with small shareholdings but there were also a number of major institutional investors.

At least half of the share capital must be represented at the Annual General Meeting in order to pass amendments to the Bank's Articles of Association. At least a two-thirds majority of votes cast and the voting rights present at the Annual General Meeting are required for proposals to be adopted. If half the share capital is not represented at the Annual General Meeting, but the proposal is otherwise adopted by two-thirds of both the votes cast and the share capital represented at the Annual General Meeting, the Supervisory Board will call a new general meeting within 14 days at which the proposal may be adopted by two-thirds of the votes cast, irrespective of the capital represented at the meeting. Amendments to the Articles of Association proposed by the Supervisory Board do not require that half the share capital be represented at the Annual General Meeting.

Members of the Supervisory Board are elected directly at the Annual General Meeting for three-year terms. Members may stand for re-election. At the Annual General Meeting on 16 March 2011, the Supervisory Board will propose for adoption that the Supervisory Board be elected for two-year terms in the future. Members of the Supervisory Board shall retire from the Board at the first Annual General Meeting after his or her 67th birthday.

Miscellaneous

Beyond entering into funding agreements, vestjyskBANK has not executed any agreements that enter into effect, are changed or lapse if control of the Bank is acquired as a result of a successful takeover bid. Furthermore, no agreements have been executed with the Bank's Management or employees for compensation in the event of departures, resignations or termination without just cause or if their positions are phased out as a result of a takeover bid.

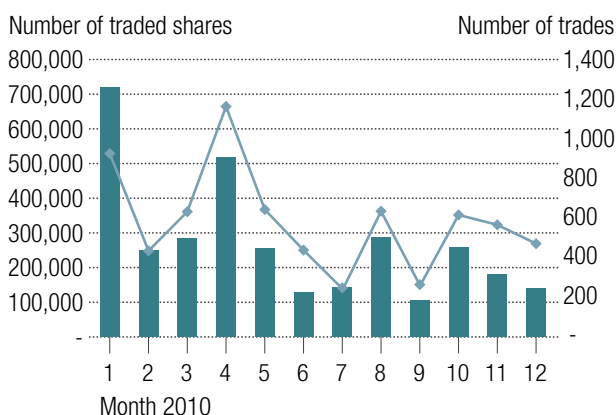
Shareholder relations

The shares of vestjyskBANK are listed at NASDAQ OMX Copenhagen. In connection with NASDAQ's ordinary enterprise classification system, vestjyskBANK has been transferred from MidCap to SmallCap effective 1 January 2011 as a result of its loss of market value.

The closing price for the vestjyskBANK share was 68.5 at year-end 2010 compared to the closing price at year-end 2009 of 87.0 a decline of 21 percent. The price represents 39 percent of the intrinsic value. During the same period, the OMXC-20 Index for the 20 most actively traded shares rose by 36 percent. The share transaction volume for 2010 was roughly 3.1 million at a combined market value of DKK 263 million.

TRADING VOLUME of the vestjyskBANK share

■ Number of traded shares
◆ Number of trades



Dividend policy

The dividend policy of vestjyskBANK is established based on the Bank's long-term solvency targets. Taking into consideration the

Bank's performance for the year, the need for continued growth, the capital structure and the trend of the share, the Supervisory Board annually reviews the need for share buybacks. The dividend yield is accordingly established on the basis of a combination of solvency targets and buyback strategy.

No dividends were paid out in fiscal years 2008 and 2009 because of the Bank's obligations under the guarantee scheme established under the Danish Act on Financial Stability the so-called Bank Package I.

Dividends paid out after 1 October 2010 may only be paid out to the extent such dividends can be financed with the Bank's net profits after tax and which are generated in the period after 1 October 2010.

If dividends are paid out, a variable dividend supplement is payable for the government hybrid capital as determined by the specific rules for such transactions.

During the period the government hybrid capital is subscribed, no reduction of capital may take place and own shares may not be acquired apart from what occurs as part of the general daily trade.

Communication Policy and Investor Relations

The purpose of vestjyskBANK's communication policy and Investor Relations activities is to ensure that proper and relevant information be disclosed to NASDAQ OMX Copenhagen, other stakeholders in the equity market, present and potential shareholders, the media, analysts and stockbrokers.

This information is designed to provide a true and fair view of vestjyskBANK's financial position, strategy and expectations for the future. Market disclosure of information takes place under NASDAQ OMX Copenhagen's rules and regulations, including the sending out of annual, half-yearly and quarterly reports with all relevant specifications and under Danish law responding to all inquiries from investors in respect of this and making information available in Danish and English.

The full text of both the Bank's communications and Investor Relations policy is available at www.vestjyskbank.dk.

Investor Portal

Our website www.vestjyskbank.dk features an Investor Portal that contains relevant and current information for shareholders and other stakeholders. The portal provides users with access to publicised company notices, investor presentations of accounting notices, the current share price, annual reports and other investor-related information.

Management's Review

Capital Structure and Ownership

The Bank publishes its customer magazine vestjyskMAGASIN twice annually. The magazine is distributed to customers and is available at the Bank's website. The magazine is intended to be continually ambitious and exciting and to strengthen our customer's interest and preference for the Bank.

Contacting Investor Relations

Kaj Damgaard, Deputy Director, is the person responsible for vestjysk-BANK's investor relations activities; shareholders and other interested parties are welcome to contact him with questions or comments. The Bank's contact to equity market stakeholders and inquiries regarding the Bank's Investor Relations policy are handled by

Chief Executive Officer	Deputy Director
Frank Kristensen	Kaj Damgaard
vestjyskBANK	vestjyskBANK
Torvet 4-5	Torvet 4-5
DK-7620 Lemvig, Denmark	DK-7620 Lemvig, Denmark
Tel. (+45) 96 63 21 01	Tel. (+45) 96 63 21 42
fk@vestjyskbank.dk	kad@vestjyskbank.dk

From 2011, presentations from investor meetings for analysts and investors will be available at www.vestjyskbank.dk.

Annual General Meeting and Shareholder Meetings

The Annual General Meeting of vestjyskBANK will be held on Wednesday, 16 March 2011 at 3.00 pm at Lemvig Idræts- og Kulturcenter, Christinelystvej 8, DK-7620 Lemvig, Denmark.

A shareholder meeting will be held in Holstebro on Tuesday, 22 March 2011 at 6.00 pm in the concert hall of Musikteatret Holstebro, Den Røde Plads 16, DK-7500 Holstebro, Denmark.

A shareholder meeting will be held in Ringkøbing on Wednesday, 23 March 2011 at 6.00 pm at the Ringkøbing Sports- og Kursuscenter (ROFI), Kirkevej 26, DK-6950 Ringkøbing, Denmark.



Management's Review

Financial Calendar

■ 22 February	2010 Annual Report
■ 16 March	Annual General Meeting
■ 3 May	Quarterly Report, Q1 2011
■ 11 August	2011 Half-Yearly Report
■ 27 October	Report for Q1-Q3 2011

2011 Company Notices

■ 4 January	Notice relating to interest on variable-rate bond loans
■ 21 January	Notice relating to exposure to agriculture
■ 15 February	Notice relating to interest on variable-rate bond loans
■ 24 February	Annual Report
■ 25 February	Insider trade involving Bank's shares
■ 1 March	Notice relating to Annual General Meeting
■ 18 March	Notice relating to issuance of variable-rate bonds
■ 18 March	Minutes from the Annual General Meeting
■ 6 April	Notice relating to interest on variable-rate bond loans
■ 7 April	Notice relating to issuance of variable-rate bonds
■ 29 April	Quarterly Report, Q1
■ 6 May	Notice relating to issuance of variable-rate bonds
■ 12 May	Notice relating to issuance of variable-rate bonds
■ 16 June	Notice relating to issuance of variable-rate bonds
■ 30 June	Notice relating to interest on variable-rate bond loans
■ 12 August	Half-Yearly Report for first six months
■ 18 August	Insider trade involving Bank's shares
■ 6 October	Prepayments of Tier 2 Capital
■ 28 October	Quarterly Reports for Q1-Q3

Management's Review

The Organisation

Our values steadfast, attentive, competent and dynamic describe the way we run our bank. The Bank's organisational structure is flat, which ensures that all employees have the opportunity to take responsibility and thereby exercise their skill sets fully. The flat structure also means that the Bank is flexible enough to change along with new requirements from customers, employees and partners and to comply with the law. Customers should be serviced by 'full human beings' who possess both professional expertise and social skills, and they need to see and experience value being created -something that will result in mutual loyalty.

At vestjyskBANK we therefore place great emphasis on developing executives and employees as well as making sure we are organised in such a manner that our duties can be carried out efficiently and properly.

Organisation

In order to ensure that we have as much time as is necessary to provide advisory services, vestjyskBANK's major branches are organised into advisory units for Retail and Corporate and also in an administrative unit. This allows us to use our resources efficiently, so that advisors can find the proper solutions for customers while leaving other employees to carry out the administrative tasks.

HQ functions provide support for our customer-facing branches with specialists covering all business areas. The advisors are therefore capable of providing proper advice about all the customer's needs, including when special expertise is needed for such areas as real estate, investing and pension.

We are constantly working on streamlining and optimising the ways in which we solve our administrative tasks so that we can devote as much time as possible on advising customers and reap the benefits of our increased efficiencies. As a result, the number of positions in vestjyskBANK has been reduced by 28 in 2010, corresponding to 4.3 percent of the Bank's employees.

During the second half of 2010, the Bank made strategic adjustments to the organisation that strengthen our competencies, make better use of our technology and create more efficient banking. As a result, the Bank's small branches in Harboøre, Bøvling, Ørnhøj and Spjald were closed down in the third quarter. The advisors from there now service customers in larger branches to which the customers have now been linked. Going forward, the branches in Struer, Silkeborg, Ikast, Horsens, Kolding and Odense will be concentrating on retail customers. We have also gathered our business advisors in the major

business centres, from where customers are now serviced. With these changes, we have strengthened and secured our combined areas of expertise in both the retail and business areas for the future benefit of both customers and employees.

vestjyskBANK is exploiting the technological potential of registering documents electronically by bringing the technology closer to our customers. Administrative tasks in the real estate area have now been decentralised, which means that the road is now even shorter from when a transaction is agreed with a customer until it is executed administratively.

Management

vestjyskBANK is working proactively in developing its management potential for both executives and mid-level managers. Our leadership development efforts are based on combining effectiveness and business creation as leaders with our strategic approach of 'market, strategy, culture and leadership' while also addressing the development of each individual leader's business area.

HR development

We have continued our work with the branding and culture project that was launched in 2009. All employees know what it means when we say: 'We are a responsible and attentive bank that creates value for our customers by using common sense and providing personal, dedicated advisory services.'

Now that our employees know what this means, we can consciously work with our values, thereby intensifying our position in the market as well as supporting our business objectives. Our employees' special conduct and manner of handling challenges are what defines vestjyskBANK's personality, identity and soul. This is something our customers and the public are able to glean from watching our employees' conduct. Our employees know that this is how customers evaluate us and that our conduct will determine whether or not we will reach our business objectives.

Management's Review

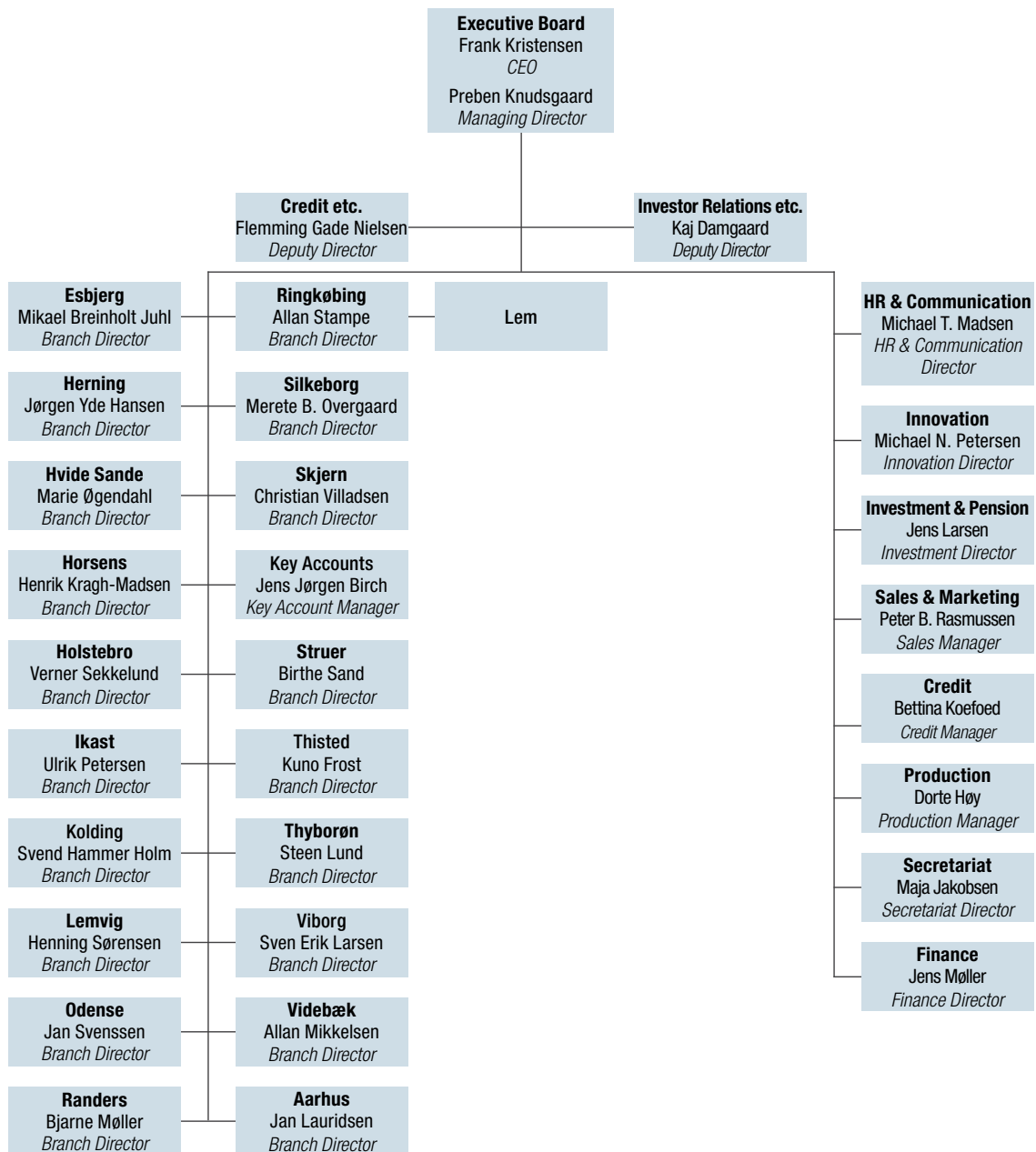
The Organisation

Age and seniority	2010	2009
More than 20 years	164	163
15-19 years	42	37
10-14 years	63	74
5 -9 years	129	102
0-4 years	225	276
Total	623	652

Distribution by age	2010	2009
19-24	27	39
25-29	52	49
30-34	68	71
35-39	61	62
40-44	79	97
45-49	105	108
50-54	100	91
55-59	95	103
60-64	34	31
65-69	2	1
Total	623	652

Management's Review

Organisational Chart



Management's Review

Supervisory and Executive Boards

Supervisory Board

Anders Bech (b. 1947), Director, Chairman

Meets the definition of independence issued by the Committee on Corporate Governance in Denmark.

- First elected to the Supervisory Board of the then Vestjysk Bank in 1997.
- Continued serving on the Supervisory Board for vestjyskBANK after its merger with Nordvestbank in 2002 and was elected chairman at the same time.
- Was re-elected to vestjyskBANK's Supervisory Board.
- Expiry of current term of office: 2012.

Other executive positions or organisational duties:

- Chief Executive Officer of Kaj Bech Holding A/S and one subsidiary.
- Member of the Supervisory Board of Kaj Bech Holding A/S and one subsidiary, Ejendomsselskabet Doktorvænget A/S and Fonden Nørre Vosborg.

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

Changes to holdings in the course of the financial year: None.

Poul Hjulmand (b. 1945), Director, Deputy Chairman

Meets the definition of independence issued by the Committee on Corporate Governance in Denmark.

- Elected for the first time to Ringkjøbing Bank's Supervisory Board in 2003 and simultaneously elected chairman.
- Continued serving on the Supervisory Board for vestjyskBANK after its merger in 2008 and was elected Deputy Chairman at the same time.
- Expiry of current term of office: 2011.

Other executive positions or organisational duties:

- Chief Executive Officer of the Landia Group.
- Member of the supervisory boards of Landia Holding ApS and four subsidiaries, Vestas Aircoil A/S and three subsidiaries, Hydromann Holding A/S, ConSet A/S and one subsidiary, RAH Holding A/S and four subsidiaries, Vestjyske Net A/S, Iron Pump Holding A/S and two subsidiaries, A. P. Ejendomme ApS, Pipecon A/S, Ølgaard-Jensens Fond, Hvide Sande Havn and Lem Varmeværk.

Other executive positions or organisational duties discharged within

the past five years:

- Member of the supervisory boards of Samson Pumps A/S, K.P. Holding A/S and K.P. Komponenter A/S, Hydromann A/S and Skjern Vinduer A/S.

Own and related parties' shares, options or warrants in vestjyskBANK: 3,977 shares.

Changes to holdings in the course of the financial year: None.

Bjørn Albinus, Director (b. 1949)

Meets the definition of independence issued by the Committee on Corporate Governance in Denmark.

- Elected to the Supervisory Board in 2009. Simultaneously appointed Chairman of the Supervisory Board's Audit Committee.
- Expiry of current term of office: 2012.

Other positions in management or on boards:

Member of the Executive Board of Bovbjerg Fyr ApS
Member of the Supervisory Board of Fonden Bovbjerg Fyr

Other executive positions or organisational duties discharged within the past five years:

- Chief Executive Officer of Cheminova A/S and Auriga Industries A/S.
- Member of the Supervisory Boards of Skamol A/S, Hardi International A/S and Damolin A/S.

Own and related parties' shares, options or warrants in vestjyskBANK: 4,000 shares.

Changes to holdings in the course of the financial year: Acquired 4,000 shares.

Carl Olav Birk Jensen (b. 1955), Director

Meets the definition of independence issued by the Committee on Corporate Governance in Denmark.

- Elected for the first time to Ringkjøbing Bank's Supervisory Board in 2001 and elected Deputy Chairman in 2007.
- Continued on the Supervisory Board of vestjyskBANK after the merger in 2008.
- Expiry of current term of office: 2011.

Other executive positions or organisational duties:

- Member of the Supervisory Board of Ringkjøbing Håndbold ApS.

Other executive positions or organisational duties discharged within the past five years:

- Chief Executive Officer of Central Vask Ringkjøbing ApS.

Own and related parties' shares, options or warrants in vestjyskBANK: 8,374 shares.

Changes to holdings in the course of the financial year: None.

Kirsten Lundgaard-Karlshøj (b. 1951), Farmer

Meets the definition of independence issued by the Committee on Corporate Governance in Denmark.

- First elected to the Supervisory Board of the then Vestjysk Bank in 1998.

- Continued on the Supervisory Board of vestjyskBANK after its merger with Nordvestbank in 2002.

- Was re-elected to vestjyskBANK's Supervisory Board.

- Expiry of current term of office: 2012.

Other executive positions or organisational duties:

- Practises large-scale farming.

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

Changes to holdings in the course of the financial year: None.

Peter Mortensen (b. 1972), Butcher

Meets the definition of independence issued by the Committee on Corporate Governance in Denmark.

- Elected to vestjyskBANK's Supervisory Board in 2008.

- Expiry of current term of office: 2011.

Other executive positions or organisational duties:

- Chief Executive Officer of Slagter Mortensen Lemvig ApS.

Own and related parties' shares, options or warrants in vestjyskBANK: 3,705 shares.

Changes to holdings in the course of the financial year: None.

Peter Hesselaa Nielsen (b. 1961), Key Account Manager

Elected by vestjyskBANK's employees

Meets the definition of independence issued by the Committee on Corporate Governance in Denmark with the exception of his employment with the Bank.

- First elected to the Supervisory Board of vestjyskBANK as employee board member in 2003.

- Was re-elected to vestjyskBANK's Supervisory Board.

- Expiry of current term of office: 2011.

Other executive positions or organisational duties:

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

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

Changes to holdings in the course of the financial year: None.

Peter Bækkelund Rasmussen (b. 1967), Sales Manager

Elected by vestjyskBANK's employees

Meets the definition of independence issued by the Committee on Corporate Governance in Denmark with the exception of his employment with the Bank.

- First elected to the Supervisory Board of vestjyskBANK as employee board member in 2007.

- Expiry of current term of office: 2011.

Own and related parties' shares, options or warrants in vestjyskBANK: 1,899.

Changes to holdings in the course of the financial year: None.

Executive Board

Frank Kristensen (b. 1952), Chief Executive Officer

Appointed bank director of nordvestBANK in 1999 and continued as bank director of vestjyskBANK after the merger in 2002 between nordvestBANK and the then Vestjysk Bank. Became Chief Executive Officer of the Bank after the merger with Ringkjøbing Bank in 2008.

Other executive positions in Danish public limited companies.

- Member of the supervisory boards of Totalkredit A/S, PRAS A/S, VP Securities A/S, e-nettet Holding A/S and one subsidiary as well as Atrium Fondsmæglerselskab A/S.

Own and related parties' shares, options or warrants in vestjyskBANK: 11,994 shares.

Changes to holdings in the course of the financial year: None.

Management's Review

Supervisory and Executive Boards

Preben Knudsgaard (b. 1949), Managing Director

Elected bank director of Ringkjøbing Bank in 1992 and continued as bank director of vestjyskBANK after the merger in 2008.

Other executive positions in Danish public limited companies:

■ Member of the supervisory board of Bi Holding A/S.

Own and related parties' shares, options or warrants in vestjyskBANK:
12,137.

Changes to holdings in the course of the financial year: None.

Management's Review

Collaboration Partners

vestjyskBANK collaborates with and receives commissions from the following

Mortgage credit

In the mortgage credit area, vestjyskBANK is primarily working with Totalkredit within mortgaging of full-year and second homes as well as owner-occupied dwellings. vestjyskBANK is also a shareholder in the holding company Pras A/S, which owns Totalkredit, and its ownership share constitutes a nominal value of DKK 20,822,737, recognised in the accounts at DKK 63.5 million.

Within mortgaging of business property, including agriculture, residential rental properties and cooperatives, vestjyskBANK collaborates primarily with DLR Kredit, which is also co-owned by the Bank. The ownership share constitutes a nominal value of DKK 25,417,007 and is recognised in the accounts at DKK 340.1 million. In addition to these primary collaboration partners, vestjyskBANK collaborates with Nykredit.

LeasIT

Within the leasing area, vestjyskBANK is collaborating with LeasIT for referral of leasing agreements.

Insurance

Within the insurance area, vestjyskBANK collaborates with PFA insurance with respect to life and disability insurance policies.

vestjyskBANK is moreover, via Letpension Holding A/S, co-owner of Letpension A/S, which functions as an advisory and intermediation platform, and insurance policies taken out are transferred to PFA. The ownership share constitutes a nominal value of DKK 9,564,341 and is recognised in the accounts at DKK 8.4 million.

Within the non-life insurance area, vestjyskBANK is primarily collaborating with Vestjylland Forsikring and Privatsikring.

Securities market

vestjyskBANK collaborates with BankInvest for intermediation of BankInvest investment societies and other related products and is also shareholder of BI Holding A/S, which is the parent company for the Group. The ownership share constitutes a nominal value of DKK 403,523 and is recognised in the accounts at DKK 10.7 million.

vestjyskBANK is collaborating with Garanti Invest A/S for the intermediation of structured products and is also a shareholder of Garanti Invest A/S. The ownership share constitutes DKK 2,842 and is recognised in the accounts at DKK 1.9 million.

vestjyskBANK is collaborating with Atrium Fondsmæglerselskab A/S for the intermediation of Atrium investment societies and is also a shareholder in the company. The ownership share constitutes DKK 30,000 and is recognised in the accounts at DKK 0.2 million.

vestjyskBANK collaborates with Sparinvest for the intermediation of Sparinvest investment societies and is also a shareholder of Sparinvest Holding A/S. The ownership share constitutes a nominal value of DKK 887,000 and is recognised in the accounts at DKK 25.8 million.

vestjyskBANK is also collaborating for the intermediation of financial products with Sydinvest, Atrium Value Partner and Carnegie.

vestjyskBANK is collaborating with Forvaltningsinstituttet for Lokale Pengeinstitutter, which has been authorised by the Danish Ministry of Justice to handle administrative duties. This collaboration includes referring customers to Forvaltningsinstituttet.

Payment services

vestjyskBANK is collaborating with NETS A/S within payment services, cards and NEMid. vestjyskBANK co-owns NETS A/S via NETS Holding A/S. The ownership share constitutes a nominal value of DKK 556,154 and is recognised in the accounts at DKK 26.0 million.

Payroll processing for customers

vestjyskBANK is collaborating with Multidata A/S within payroll systems. vestjyskBANK co-owns Multidata A/S via Multidata Holding A/S, and the ownership share constitutes DKK 107,575 and is recognised in the accounts at DKK 5.6 million.

Other collaboration partners

In addition to the partners specified above, vestjyskBANK collaborates with the following enterprises but without receiving commissions:

BEC

vestjyskBANK is a co-owner of BEC, one of Denmark's three jointly-owned bank computer centres. The Bank's collaboration with BEC means that vestjyskBANK always has at its disposal reliable, user-friendly and competitive IT solutions. BEC is also a significant provider of services to other players in the financial sector. vestjyskBANK's ownership share is recognised in the accounts at DKK 131.5 million.

BoligCenterVestjylland

vestjyskBANK is collaborating with BoligCenterVestjylland, a local real estate broker. This collaboration includes valuations of properties as well as mutual referral of customers.

Management's Review

Collaboration Partners

Nykredit Mægler

vestjyskBANK is collaborating with Nykredit Mægler. This collaboration includes valuations of properties as well as mutual referral of customers.

Euler Hermes

vestjyskBANK is collaborating with Euler Hermes. This collaboration includes referring customers for matters relating to credit insurance.

Electronic archival services

vestjyskBANK is collaborating with e-Boks A/S to maintain an electronic archive of correspondence from the Bank to the customers who are subscribers to e-Boks. vestjyskBANK is a co-owner of e-Boks A/S via NETS Holding A/S.

Finanssektorens Uddannelsescenter (The Finance Sector's Training Centre)

vestjyskBANK is collaborating with Finanssektorens Uddannelsescenter, which is used for basic studies, continuing studies and advanced studies.

Arbejdernes Landsbank

vestjyskBANK is collaborating with Arbejdernes Landsbank for the execution of securities orders received by vestjyskBANK from customers via WEBbank.

Danish Securities Centre

vestjyskBANK is collaborating with and is a co-owner of the Danish Securities Centre, whose most important duty is to process the electronic issuance of securities, to register ownership and rights as well as the clearing and settlement of securities trades. The ownership share constitutes a nominal value of DKK 192,000 and is recognised in the accounts at DKK 2.0 million.

Bankernes Kontantservice

vestjyskBANK is collaborating with Bankernes Kontantservice, whose most important duties involve handling cash and performing money transports. This activity began in 2011. The ownership share constitutes DKK 865,327 and is recognised in the accounts at DKK 0.9 million.

Lokale Pengeinstitutter (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 93 other local banks. The objective of the Association is to support its members,

promote their common interest taking into consideration individual members' independence, freedom of action and integrity and to promote the sound development of the financial sector, so that its members can solve their tasks optimally.

vestjyskBANK is also a member of the Danish Employers' Federation for the Financial Sector (Finanssektorens Arbejdsgiverforening) as well as the Danish Bankers' Association (Finansrådet).

Sector duties

Electronic registration

After experiencing major problems after the system came online, electronic registration is now working reasonably well and helps make registration more flexible in the various individual cases. There are still a few outstanding challenges before the system is functioning optimally.

Management's Statement

The Bank's Supervisory and Executive Boards have today considered and approved the present Annual Report, representing the period 1 January–31 December 2010 for Vestjysk Bank A/S.

These Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements relating to financial reporting by listed financial enterprises. In our opinion, the Financial Statements give a true and fair view of the Bank's assets,

liabilities and financial position as of 31 December 2010 and of the results of the Bank's activities and cash flows for 2010. In our opinion, the Management's Review reflects the development in the Bank's activities and financial situation truly and fairly and describes the most significant risks and uncertainties that may influence the Bank.

We recommend the Annual Report for approval at the Annual General Meeting.

Lemvig, 22 February 2011

Executive Board

Frank Kristensen

Preben Knudsgaard

Supervisory Board

Anders Kristian Bech

Poul Hjulmand

Bjørn Albinus

Kirsten Lundgaard-Karlshøj

Carl Olav Birk Jensen

Peter Juhl Mortensen

Peder Hesselaa Nielsen

Peter Bækkelund Rasmussen

Auditors' Reports

Internal auditors' report

We have audited the Financial Statements for Vestjysk Bank A/S for the period 1 January–31 December 2010. The Financial Statements comprise the Bank's Statement of Income, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes. The Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements for listed financial enterprises. The Management's Review, which is not covered by this audit, is similarly prepared according to Danish disclosure requirements for listed financial enterprises.

Basis for auditors' conclusions

The present audit was carried out on the basis of the Danish Executive Order on Auditing Financial Undertakings and Financial Groups and according to Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Financial Statements are free of material misstatement.

The audit has been carried out in accordance with the division of labour agreed with the external auditor and it covered established business procedures and internal controls, including the risk management system put in place by Management targeting reporting processes and significant business risks. Based on an evaluation of materiality and risk, we have tested the assumptions for the amounts and other disclosures in the Financial Statements through random sampling, including examined information that supports the stated amounts and data. The audit also included an assessment as to whether or not the accounting policies applied by Management were appropriate, whether or not the accounting estimates made by Management were reasonable, and it reviewed the overall presentation of the Financial Statements.

We have participated in the audit of significant and risky areas, and we believe that the audit evidence is adequate and appropriate as a basis for our conclusion.

Our audit did not give rise to any qualifications.

Conclusion

In our opinion, the established business procedures and internal controls, including the risk management system put in place by Management targeting the Bank's reporting processes and significant business risks are functioning satisfactorily.

We also believe that the Financial Statements fairly represent the Bank's assets, liabilities and financial position at 31 December 2010 and that the results from the Bank's activities and cash flows for the period 1 January–31 December 2010 are in accordance with the International Financial Reporting Standards as approved by the EU and additional Danish disclosure requirements for listed financial enterprises.

Report on Management's Review

In accordance with the Danish Financial Business Act, we have read the Management's Review. We have not taken further action beyond our audit of the Financial Statements. It is on that basis that we believe the information in the Management's Review is in accordance with the Financial Statements.

Lemvig, 22 February 2011

Maren Bæk Holm
Chief Auditor

Independent Auditors' Report

To the Shareholders of Vestjysk Bank A/S

We have audited the Financial Statements of Vestjysk Bank A/S for the financial year 1 January-31 December 2010. The Financial Statements comprise the Bank's Statement of Income, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes. The Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial undertakings. The Management's Review, which is not covered by the audit, is also prepared in accordance with Danish disclosure requirements for listed financial undertakings.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial undertakings. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error. The responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable given the circumstances. Furthermore, Management is responsible for preparing a Management's Review that includes a true and fair account in accordance with Danish disclosure requirements for listed financial undertakings.

Auditor's Responsibility and Basis of Opinion

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of Financial Statements in order to design audit procedures that are appropriate in the cir-

cumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies applied and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

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 qualifications of any kind.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Bank at 31 December 2010 and of the results of the bank operations and cash flows for the financial year 1 January - 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial undertakings.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Business Act. We have not performed any procedures additional to the audit performed of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Holstebro, 22 February 2011

PricewaterhouseCoopers

Statsautoriseret
Revisionsaktieselskab

H.C. Krogh
*State Authorised Public
Accountant*

Krøyer Pedersen

Statsautoriserede Revisorer
I/S

Henrik Holm
*State Authorised Public
Accountant*

Statement of Income and Statement of Comprehensive Income

Note	2010 TDKK	2009 TDKK
2 Interest income	1,530,349	1,733,853
3 Interest expenses	713,590	944,733
Net interest income	816,759	789,120
Dividends on equity securities etc.	3,456	7,058
Income from fees and commissions	259,772	247,973
Fees and commissions paid	26,849	22,854
Net interest and fee income	1,053,138	1,021,297
4 Market value adjustments	48,707	140,803
5 Other operating income	8,716	65,684
6-7 Personnel and administrative expenses	590,023	622,901
Depreciation, amortisation and impairment losses; property, plant and equipment as well as intangible assets	16,330	17,657
8 Other operating expenses	86,458	109,562
9 Impairment of loans and receivables etc.	408,219	536,690
Profit/(loss) before tax	9,531	-59,026
10 Tax	3,553	-17,734
Net profit/(loss) for the year	5,978	-41,292
21 Basic earnings per share		
Basic earnings per share	0,48	-3,38
Diluted earnings per share	0,48	-3,38
Statement of comprehensive income		
Net profit/(loss) for the year	5,978	-41,292
Other comprehensive income after tax	0	0
Total comprehensive income	5,978	-41,292

Statement of Financial Position

at 31 December

Note	2010 TDKK	2009 TDKK
Assets		
	629,179	485,386
	1,171,731	1,445,186
	23,467,609	23,874,057
	4,842,029	4,297,370
	601,389	591,396
	1,145,057	835,012
11 Property, plant and equipment	108,562	110,058
Land and buildings, total	366,395	384,798
12 Investment property	3,926	18,401
13 Owner-occupied property	362,469	366,397
14 Other property, plant and equipment	13,532	17,375
Current tax assets	645	1,036
15 Deferred tax assets	163,124	166,366
16 Other assets	1,067,367	630,338
17 Assets, total	33,576,619	32,838,378
Liabilities		
	3,871,136	3,608,321
	14,418,662	17,799,809
	1,145,057	835,012
	8,691,272	5,079,836
31 Provisions	10,710	101,082
18 Other liabilities	999,396	668,349
19 Subordinated debt	2,269,360	2,596,553
Liabilities, total	31,405,593	30,688,962
Equity		
20 Share capital	125,000	125,000
Revaluation reserves	30,848	30,848
Retained profit or loss	2,015,178	1,993,568
Equity, total	2,171,026	2,149,416
22 Liabilities and equity, total	33,576,619	32,838,378
23 Contingent liabilities		
Contingent liabilities	4,484,724	5,715,388
Other binding agreements	205,596	7,781
Contingent liabilities, total	4,690,320	5,723,169

Statement of Changes in Equity

	Share capital TDKK	Revaluation reserves TDKK	Retained earnings TDKK	Equity, total TDKK
Equity, 1 January 2010	125,000	30,848	1,993,568	2,149,416
Comprehensive income for the year			5,978	5,978
Additions relating to sale of own equity securities			91,161	91,161
Disposals relating to purchase of own equity securities			-75,529	-75,529
Equity, 31 December 2010	125,000	30,848	2,015,178	2,171,026

	Share capital TDKK	Revaluation reserves TDKK	Retained earnings TDKK	Equity, total TDKK
Equity, 1 January 2009	125,000	30,848	2,040,073	2,195,921
Comprehensive income for the year			-41,292	-41,292
Additions relating to sale of own equity securities			151,643	151,643
Disposals relating to purchase of own equity securities			-155,851	-155,851
Tax relating to own equity securities			-1,005	-1,005
Equity, 31 December 2009	125,000	30,848	1,993,568	2,149,416

Statement of Cash Flows

	2010 TDKK	2009 TDKK
Cash flows from operating activities		
Profit/(loss) after tax for the year	5,978	-41,292
Adjustment for non-cash operating items etc.:		
Adjustment of impairment of loans etc.	408,219	536,690
Depreciation, amortisation and impairment losses; property, plant and equipment as well as intangible assets	16,330	17,656
Other operating items with no effect on cash flow	33,313	75,799
Tax charged as expense	3,553	-17,734
Corporation tax paid	391	53,383
Cash flows from operating activities, total	467,784	624,502
Movements in working capital		
Increase/(decrease) in credit institutions and central banks, net	271,626	-3,725,458
Increase/(decrease) in loans and other receivables at amortised cost	-1,771	-341,510
Increase/(decrease) in debt securities at fair value	-544,659	238,087
Increase/(decrease) in shareholding	-9,993	-67,490
Increase/(decrease) in debt securities in issue at amortised cost	3,611,436	1,281,513
Increase/(decrease) in other assets and other liabilities, net	-195,549	-335,122
Increase/(decrease) in deposits and other debt	-3,381,147	1,808,146
Working capital, total	-250,057	-1,141,834
Cash flows from operating activities, total	217,727	-517,332
Cash flows from investing activities		
Payments for property, plant and equipment	-10,805	-100,675
Proceeds from disposal of property, plant and equipment	18,217	24,343
Cash flows from investing activities, total	7,412	-76,332
Cash flows from financing activities		
Payment for and proceeds from the disposal of own equity securities	15,632	-4,208
Issue of subordinated debt	0	1,435,976
Repayment of subordinated debt	-361,623	-60,000
Cash flows from financing activities, total	-345,991	1,371,768
Change in cash and cash equivalents for the year	-120,852	778,104
Cash and cash equivalents at the beginning of the year	1,821,474	1,043,370
Change in cash and cash equivalents for the year	-120,852	778,104
Cash and cash equivalents at the end of the year	1,700,622	1,821,474
Cash and cash equivalents at the end of the year		
Cash in hand and demand deposits with central banks	629,179	485,386
Amounts receivable from credit institutions and central banks with a maturity of less than 3 months	1,071,443	1,336,088
Total	1,700,622	1,821,474

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Note 1 Accounting Policies

1.1 General remarks

Effective at the end of the first half of 2010, vestjyskBANK has transitioned to presenting its annual and interim financial reports in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU. The annual and interim financial reports are furthermore presented in accordance with the IFRSs as issued by the International Accounting Standards Board (IASB). The Bank has applied these standards and interpretations to its financial reporting effective for the period beginning on 1 January 2010.

Annual and interim reports are furthermore presented in compliance with supplementary Danish disclosure requirements relating to financial reporting by listed financial enterprises.

Annual and interim reports are prepared applying the historical cost convention, modified for the purpose of measuring certain items at fair value, as described in the following.

In connection with its transition to IFRS, the Bank has restated its comparative figures for 2009. The transition to IFRS has resulted in the Bank's measuring owner-occupied property at cost, less deductions for accumulated depreciation and impairment losses against previously revalued amounts.

The change in accounting policies has had an effect on depreciations, the value of owner-occupied property and the related deferred tax. Please see Note 33 for a description of the effect of the transition to IFRS.

The following special terms have been applied for the transition to IFRS:

Company acquisitions completed before 1 January 2009 have been recognised under the accounting policies as they existed before the transition and have therefore not been restated under IFRS 3, which applies to financial years beginning on or after 1 July 2009.

The fair value of owner-occupied property at 1 January 2009 has been applied as the cost at the transition date.

IASB has issued the following new standards and amendments to existing standards, which have not yet entered into force and which are relevant to the Bank.

The following amendments have been approved by the EU and are implemented as of the 2011 financial year:

IAS 24. Re among other things, a simpler definition of related parties. This change is not relevant to recognition and measurement.

The following amendments have not yet been approved by the EU: IFRS 9. Re classification and measurement of financial assets and liabilities. The number of financial asset categories is reduced to two: amortised cost or fair value. Classification is determined on the basis of, respectively, the nature of the business model and the characteristics of the instrument. Changes to own credit risk relating to financial liabilities measured at fair value are recognised under Other comprehensive income.

Re annual improvements for 2010 comprising minor changes to, among other things, IFRS 3, IAS 1, IAS 27, IAS 34 and IFRIC 13.

Management is currently reviewing the potential impact of these changes.

1.2 Accounting estimates and assessments

Determining the carrying amount of certain assets and liabilities involves estimating how future events will affect the value of the assets and liabilities at the reporting date.

The estimates and assessments applied by management are based on assumptions that it considers reasonable, but which by their nature are uncertain and unpredictable. Such assumptions may be incomplete or inexact, and unexpected future events or circumstances may arise. This makes it intrinsically difficult to make estimates and assessments; and when such estimates and assessments furthermore involve customer relationships and other counterparties, they will involve an additional degree of uncertainty. There may be a need to restate previous estimates as a consequence of changes in the underlying conditions for the previous estimates, or because new knowledge has come to light or subsequent events have occurred.

The principles for making accounting estimates critical to presenting the accounts include, among other things, assessments related to:

- impairments of loans and provisions for guarantees
- the fair value of investment property
- the fair value of financial instruments
- company acquisitions
- impairment tests for goodwill and other intangible assets
- whether or not debt securities are traded in an active market

Impairment of loans and provisions for guarantees

Impairment testing of individual loans involves estimates relating to conditions about which there is a high degree of uncertainty. The assessment entails estimating the most likely future cash flow that the customer will be able to generate.

Loans for which there is no objective indication of impairment are included in a group for which it is assessed at portfolio level whether there is any need for impairment.

An important aspect of testing for impairment of a group of loans is identifying events that indicate objectively that the group has incurred losses. The assessment of the fair value of the cash flows generated by the customers in the group entails a degree of uncertainty when historical data and experience-based assessments are applied in connection with adjusting the assumptions on the basis of the historical data and in order to reflect the current situation.

Assessment by group is performed for groups of loans and receivables that possess uniform credit risk characteristics. There are 11 groups: one for public authorities, one for retail clients, and nine for corporate customers whereby corporate customers are segmented by industry.

If, at the reporting date, the Bank is aware that an event has occurred that will either weaken or strengthen future payment performance, and which the models have not taken into account, Management will correct for this by making a qualified estimate.

The amount of loan and guarantee impairments is specified in Notes 9 and 31.

Fair value of investment property

The rate of return method is used for measuring property at fair value. The uncertainty of the measurement is related to the rate of return used for the valuation.

The carrying amount of investment property is specified in Note 12.

Fair value of financial instruments

vestjyskBANK measures a number of financial instruments at fair value, including all derivative financial instruments, as well as equity and debt securities.

Assessments are made in connection with establishing the fair value of financial instruments in respect of the following areas:

- choice of valuation method

- determination of when available listed prices do not represent the fair value
- calculation of fair value adjustments to take account of relevant risk factors such as credit and liquidity risk
- assessment of which market parameters should be observed
- estimate of future cash flows and rate of return requirements for unlisted equity securities

As part of its operations, vestjyskBANK has acquired strategic equity interests. These are measured at fair value on the basis of available information about trading in the relevant enterprise's equity interests or, alternatively, a valuation model based on accepted and current market data, including a valuation of expected financial performance and cash flows. The valuation will similarly be influenced by ownership, trading and shareholder agreements etc.

The carrying amount of securities measured at fair value is specified in Note 29.

Acquisitions

Upon acquisition of another enterprise, the acquired enterprise's assets, liabilities and contingent liabilities are recognised in accordance with the acquisition method. Some parts of acquired assets and liabilities have no effective market that can be used to establish their fair value. Management will therefore make estimates on calculating the identified acquired assets, liabilities and contingent liabilities. Depending on the nature of the asset or liability, this calculation may be subject to a degree of uncertainty.

The unallocated purchase price is recognised in the Statement of Financial Position as goodwill distributed across cash-generating units. In the opinion of Management, the performed allocation, in view of the uncertainty involved in calculating the acquired cash-generating units, is based on documented estimates.

Upon acquisition, among other things, an assessment is made of the value of the acquired customer relationships. The assessment is based on expected and historical customer loyalty in view of existing customer relationships. Additionally, an assessment is made of whether there are circumstances that result in the deviation of the fair value of loans from amortised cost, for example as a result of special risks relating to a commitment or a margin that is lower than the margin on an equivalent loan.

Impairment test for goodwill and other intangible assets

At the annual impairment test of goodwill and customer relationships etc., or when there is indication of a need for impairment, an estimate

Notes to the Annual Report

is made of how the parts of the enterprise to which the goodwill and customer relationships etc. are related would be capable of generating sufficient positive net cash flows in the future to strengthen the value of goodwill, customer relationships and other net assets in the enterprise.

The estimate must deal with the expected future cash flows many years into the future, which by its nature involves a certain degree of uncertainty.

The carrying amount of goodwill and customer relationships is specified in Note 11.

Assessment relating to whether or not debt securities are traded in an active market

Some debt securities listed on NASDAQ OMX Copenhagen are attributed to the category 'Loans and receivables'. The assessment is that trading in the relevant debt securities is so insignificant in volume and scope that the market cannot be characterised as active; the conditions for attributing the debt securities to the category 'Loans and receivables' have therefore been met.

1.3 Specification of applied accounting policies

Translation of foreign currencies

Upon initial recognition, transactions in foreign currencies are translated at the actual rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled on the reporting date are translated at the rate at the reporting date. Exchange differences between the transaction date rate and the rate at the date of the cash flow, respectively the closing rate, are recognised in the Statement of Income as market value adjustment.

Determination of fair value for measurement and disclosure

Derivative financial instruments as well as unsettled spot transactions are recognised and measured at fair value which, as a rule, is based on listed market prices. To the extent that these are unlisted instruments, fair value is determined using generally accepted principles based on arm's-length parameters.

Debt securities traded in regulated markets are measured at fair value. The fair value is determined using the most recent observable market price at the reporting date.

Equity securities traded in regulated markets are measured at fair value. The fair value is determined using the most recent observable market price at the reporting date.

Unlisted equity securities in enterprises held jointly by the Bank with a number of other financial institutions are valued at fair value. If no current market data are available, fair value is established on the basis of the enterprises' most recent presented and adopted accounts.

For loans with variable interest rates, write-downs relating to impairment are, in principle, assumed to correspond to the fair value of the credit risk with the following corrections:

Credit margin changes for a given risk are taken into account by correcting for the difference between the current credit premium and the credit premium that would be required if a given loan was granted at the reporting date.

Fixed-rate loans not subject to hedge accounting are also adjusted by the change in value that arises as a result of the difference between the fixed interest rate and the current market rate.

Fair value of debt securities in issue traded in an active market is determined at fair value as a ratio of the most recent observable market price at the reporting date. The fair value of debt securities in issue and subordinated debt not traded in an active market is determined on the basis of the terms that would have applied if the loan in question had been made at the reporting date.

Hedge accounting

The Bank applies the special rules on hedge accounting to avoid the inconsistency of having certain financial assets or financial liabilities measured at amortised cost. Meanwhile, derivative financial instruments are measured at fair value if the conditions relating to documentation and efficiency are met. The hedging relationship is established at portfolio level for the following items: Fixed-rate loans, foreign currency loans and debt securities, as well as fixed-rate deposits. The hedged items are adjusted to fair value in respect of the hedged risk. Hedging is performed using options, forward contracts, swaps and caps.

Business combinations and disposal of enterprises

Acquisitions of or mergers with other enterprises are recognised from the time of acquisition. Divested enterprises are recognised up until the date of disposal.

Combinations take place by applying the purchase method after which the acquired enterprises' assets and liabilities are recognised

at fair value at the date of acquisition. The tax effect of performed revaluations is taken into account.

Positive differences between cost and revalued amounts of acquired net assets are recognised in the Statement of Financial Position as goodwill. Negative differences are recognised as income in the Statement of Income.

At the merger with Ringkjøbing Bank in 2008 and the acquisition of Bonusbanken in 2008, the cost was determined at fair value on the acquisition date of the shares issued by vestjyskBANK at the merger, respectively the vestjyskBANK shares settled at the acquisition date, plus transaction costs incurred.

Statement of Income and Statement of Comprehensive Income

Interest, fees and commissions

Interest income and interest expenses are recognised in the Statement of Income for the period to which they pertain. Commissions and fees that are integrated parts of the effective interest on a loan are recognised as part of amortised cost.

Interest income from loans impaired in part or in full is recognised under interest income only with the calculated effective interest on the loan's impaired value. Any additional interest income is recognised under the item 'Impairment of loans and receivables etc'. Commissions and fees that form part of an annuity are accrued over the term of the annuity.

Other fees are recognised in the Statement of Income at the transaction date.

Other operating income

Other operating income contains items of a secondary nature in relation to the Bank's activities, including gains and losses relating to the sale of acquired, investment and owner-occupied property.

Gains and losses relating to sales are determined as the sale price, less selling expenses and the carrying amount at the time of sale.

Personnel and administrative expenses

Staff costs comprise employee salaries and social security costs, pension plans etc. Costs of goods and services provided to employees, including anniversary bonuses, are recognised as the employees perform the services that entitle them to the goods and services in question.

The majority of employees have entered into defined contribution plans. Under defined contribution plans, fixed contributions are made to an independent pension fund. The Bank is not required to make any additional contributions.

Other operating expenses

Other operating expenses contain items of a secondary nature in relation to the Bank's activities, including the current guarantee provision relating to the Danish Government-Backed Deposit Guarantee Scheme (Statsgarantiordningen).

Tax

Tax for the year, consisting of the year's current tax and changes in deferred tax, is recognised in the Statement of Income as the part that can be attributed to the income for the year, and directly to other comprehensive income, respectively equity, at the part that can be attributed thereto.

Current tax liabilities, respectively, current tax receivables are recognized in the Statement of Financial Position as calculated tax on the taxable income for the year adjusted for tax paid on account.

Deferred tax is recognised for all temporary differences between carrying amounts and the taxable values of assets and liabilities, apart from goodwill and temporary differences that arise in connection with acquiring assets or assuming liabilities which, at the time of acquisition, affect neither the taxable income nor the result.

Deferred tax is recognised as a liability in the Statement of Financial Position under 'Deferred tax liabilities' or recognised as an asset under 'Deferred tax assets', if the net value is an asset, and it is considered likely that the tax asset will be realised.

Statement of Financial Position

Financial assets in general

The purchase and sale of financial assets are recognised at fair value at the settlement date. From the trade date to the settlement date, changes are included in the fair value of the financial instrument that has not been settled.

Transaction costs are added upon initial recognition of financial assets not subsequently measured at fair value in the Statement of Income. Financial assets are attributed upon initial recognition, respectively, upon transition to IFRS to one of the following categories:

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- Trading portfolio, comprising equity and debt securities held for the purpose of short-term profit-taking, as well as derivative financial instruments that are assets
- Financial assets attributed to fair value in the Statement of Income, comprising equity and debt securities not held for trading, but which are managed and assessed on the basis of fair value
- Loans and receivables comprising loans and other receivables, cash in hand and demand deposits with central banks, amounts receivable from credit institutions and central banks, and other assets apart from derivative financial instruments.

Financial assets are not reclassified after initial recognition.

Financial assets held for trade or attributed to fair value in the Statement of Income are measured at fair value with recognition of fair value changes in the Statement of Income.

Loans and receivables are measured at amortised cost, which usually corresponds to their nominal value less opening fees constituting part of the effective interest rate and impairments to cover incurred but not yet realised losses.

Cash in hand and demand deposits with central banks

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

Amounts receivable from credit institutions and central banks

Amounts receivable from credit institutions and central banks comprise amounts receivable with other credit institutions as well as term deposits in central banks.

Loans and other receivables

Loans and other receivables comprise loans to customers and certain debt securities not traded in an active market.

Impairment of loans and receivables, as well as provisions against guarantees and unused credit commitments, are performed both individually and on a group basis. Impairments to losses are performed when there is objective indication of impairment.

For individual impairments, objective indication is considered to exist, at a minimum, once one or more of the following events have occurred:

- Borrower is in significant financial difficulties
- Borrower is in breach of contract, for example, by failing to perform payment obligations for payment of principal and interest

- Borrower has been granted relief from conditions that would otherwise not have been considered if it were not because of borrower's financial difficulties, or if it is likely that the borrower will enter bankruptcy proceedings or is made subject to other financial reorganisation.

Impairment is performed as the difference between the carrying amount before impairment and the present value of the expected future payments on the loan. Expected future payments are determined based on probability-weighted scenarios performed on the debtor's ability to pay, realisation of collateral as well as any dividends. The loan's effective interest rate is applied as the discount rate.

Loans not individually impaired are included in the impairments by group.

Loans and receivables not individually impaired are assessed by group to determine whether an objective indication for impairment of the group exists.

Assessment by group is performed using a segmentation model developed by the industry organisation Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (Lokale Pengeinstitutter). This organisation is responsible for the ongoing maintenance and development of the model. The segmentation model establishes cohesion within the individual groups between established losses and a number of significant explanatory macroeconomic variables using linear regression analysis. The explanatory macroeconomic variables include such factors as unemployment, home prices, interest, number of bankruptcies/enforced sales etc.

In principle, the macroeconomic segmentation model is calculated on the basis of loss data for the entire financial institution sector. vestjyskBANK has therefore made an assessment of the extent to which the model estimates reflect the credit risk for vestjyskBANK's own loan portfolio.

This assessment has resulted in model estimate adjustments to fit the Bank's own conditions, after which it is the adjusted estimates that form the basis for calculating the impairments in groups. For each group of loans and receivables, an estimate is drawn up that expresses the percentage impairment relating to a given group of loans and receivables at the reporting date. The individual loan's contribution to the impairment by group is arrived at by comparing the individual loan's original loss risk and the loan's loss risk at the beginning of the current reporting period. The impairment is calculated as the

difference between the carrying amount and the discount to net present value of the expected future payments.

Provisions against losses on guarantees as well as provisions against losses on unutilised credit commitments are recognised under 'Provisions'.

Equity securities

Equity securities comprise shares traded in active markets as well as unlisted shares in enterprises held by the Bank jointly with a number of other financial institutions.

Debt securities

This item comprises bonds traded in an active market.

Pooled pension funds

Assets included in pooled pension funds and customers' deposits in pooled pension funds are presented under separate items in the Statement of Financial Position. Returns on pooled assets and deposits are presented jointly under 'Market value adjustments.'

Land and buildings

Investment property is property principally held to earn rental income and/or capital gains.

Investment property is recognised upon acquisition at cost and subsequently measured at fair value. Adjustment of fair value as well as rental income is recognised in the Statement of Income under, respectively, 'Market value adjustments' and 'Other operating income'.

The fair value of investment property is determined on the basis of a systematic assessment based on the property's expected return as the method is assessed to reflect how similar property is valued in the market. Such property is not depreciated.

An assessment of the carrying amounts is obtained from external experts periodically.

Owner-occupied property is property the Bank utilises for administration, branches or other service activities. Owner-occupied property is recognised at purchase price plus expenses for construction or development, and deducting subsequent accumulated depreciation.

Depreciations are performed based on the fair value at 1 January 2009 (starting value upon transition to IFRS) and calculated linearly, based on the expected useful life of the asset, which is 40 years, on

the basis for depreciation, less estimated residual value. Useful life and residual value are reassessed on an ongoing basis. Installations are depreciated linearly over a period of up to 15 years.

Land is not depreciated.

Intangible assets

Intangible assets concern the value of customer relationships and goodwill acquired in connection with the acquisition of Bonusbanken.

The value of acquired customer relationships is measured at cost less accumulated depreciation and impairment losses. The value of the acquired customer relationships is depreciated linearly over the expected life, which is 10 years. Goodwill is the amount by which the cost of an acquired enterprise exceeds the fair value of the acquired assets and liabilities at the time of acquisition.

Goodwill is recognised as an asset and attributed to cash-flow generating units corresponding to the level at which Management is monitoring the investment.

Goodwill is recognised as an asset and is not amortised but is tested for impairment at least once a year. Goodwill is impaired to its recoverable value, if the carrying value of the cash-flow generating unit's net assets exceeds the higher value of the net selling price and value in use, which corresponds to the present value of expected future cash flows from the unit.

Impairments are recognised in the Statement of Income.

Other property, plant and equipment

Other property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciations are performed on a straight-line basis based on the following assessment of the other assets' useful lives:

- IT equipment 2–3 years
- Machinery, tools and equipment 3 years
- Automobiles 3–4 years
- Other property, plant and equipment are assessed for impairment need when there is indication of impairment.

Other assets

This item comprises assets not placed under other asset items, among others, positive market values of spot transactions and derivative financial instruments, as well as interest receivable.

Notes to the Annual Report

Financial liabilities

Financial liabilities are recognised at the settlement date at fair value. Transaction costs are deducted upon initial recognition of financial liabilities not subsequently measured at fair value.

Financial liabilities are attributed upon initial recognition, respectively up on transition to IFRS, to one of the following categories:

- Trade portfolio comprising derivative financial instruments classified as liabilities
- Other financial liabilities, comprising 'Other liabilities' apart from derivative financial instruments, 'Amounts owed to credit institutions and central banks'/'Deposits', and 'Subordinated debt'/'Debt securities in issue'
- Financial guarantees

Liabilities held for trading are measured at fair value with recognition of value adjustments in the Statement of Income.

Other financial liabilities are measured at amortised cost. Expected future interest payments are estimated upon determination of amortised cost. In the event that the interest rate changes over the course of the life of the liability, apart from as a result of the variability of the interest rate, such payments are included, provided that the loan is not expected to be repaid before the interest rate change.

Financial guarantees are measured at the higher of the deferred commission income and provisions for losses on the guarantee. Please see the section 'Loans and receivables' for how provisions against losses on guarantees are calculated.

Other liabilities

This item comprises liabilities not included under other liability items and comprises, among others, negative market values of spot transactions, derivative financial instruments and interest payable.

Amounts owed to credit institutions and central banks/Deposits

Amounts owed to credit institutions and central banks as well as deposits are valued at amortised cost.

Subordinated debt/Debt securities in issue

When recognising subordinated debt/debt securities in issue, embedded derivatives and equity components are taken out. Embedded derivatives are treated as independent derivatives, while equity components are recognised directly under equity.

Offsetting financial assets and liabilities

Financial assets and liabilities are presented as offset, provided offsetting is legally sanctioned, and the Bank intends to offset or sell the asset and the liability simultaneously.

Equity

Proposed dividends

Proposed dividends are recognised as a liability at the time of adoption at the Annual General Meeting. The proposed dividends for the year are included under equity until they are adopted.

Own equity securities

Purchase and disposal considerations as well as dividends from own equity securities are recognised directly as retained earnings under equity.

Statement of Cash Flows

The Statement of Cash Flows shows cash flows distributed on operating, investing and financing activities for the year, changes in cash and cash equivalents for the year, as well as cash and cash equivalents at the beginning and end of the year. Cash flows from operating activities are determined using the indirect method as profit before tax adjusted for non-cash operating items as well as changes in working capital.

Cash flows from investing activities comprise payments in connection with the purchase and sale of fixed assets. Cash flows from financing activities comprise dividends paid as well as movements in equity and the payment and incurrence of subordinated debt.

Cash and cash equivalents comprise cash in hand, demand deposits with central banks as well as amounts receivable from credit institutions and central banks with due dates of less than three months.

Notes to the Annual Report

Note	2010 TDKK	2009 TDKK
2 Interest income		
Amounts receivable from credit institutions and central banks	17,135	53,602
Loans and other receivables	1,365,750	1,477,024
Debt securities	131,722	163,325
Other interest income	398	20
Interest income at amortised cost	1,515,005	1,693,971
Derivative financial instruments	15,344	39,882
Interest income, total	1,530,349	1,733,853
3 Interest expenses		
Credit institutions and central banks	50,720	160,117
Deposits and other debt	257,207	477,112
Debt securities in issue	218,539	201,035
Subordinated debt	187,106	106,025
Other interest expenses	18	444
Interest expenses at amortised cost, total	713,590	944,733
4 Market value adjustments		
Debt securities	33,667	84,070
Equity securities etc.	22,207	56,767
Total market value adjustments for securities attributed to fair value in the Statement of Income	55,874	140,837
Foreign currency translation adjustment of foreign currency balances	259,288	-248,680
Foreign currency translation adjustment of financial instruments	-236,238	287,901
Foreign currency, total	23,050	39,221
Derivative financial instruments	-29,346	-38,285
Assets related to pooled fund schemes	176,562	148,826
Deposits with pooled fund schemes	-176,562	-148,826
Fair value hedged lending	98	5,289
Fair value hedged borrowing	-969	-6,259
Market value adjustments, total	48,707	140,803
Total fair value adjustment for derivative financial contracts including amounts recognised under 'Interest income'	-250,240	289,499
5 Other operating income		
Gains on disposal of operating equipment	722	1,433
Impairments pertaining to transfer of assets recognised as income	0	60,900
Other income	7,615	3,036
Operation of investment property	379	315
Other operating income, total	8,716	65,684
6 Personnel and administrative expenses		
Salaries and remuneration to the Supervisory Board and the Executive Board		
Supervisory Board	1,500	1,321
Executive Board		
Salaries	5,953	5,797
Pension	3,191	3,145
Executive Board, total	9,144	8,942
Total	10,644	10,263

Notes to the Annual Report

Note	2010 TDKK	2009 TDKK
Personnel expenses		
Wages and salaries	281,869	286,497
Pensions	37,371	37,439
Expenses relating to social security contributions, payroll tax etc.	31,739	30,355
Total	350,979	354,291
Other administrative expenses	228,400	258,347
Personnel and administrative expenses, total	590,023	622,901
Executive Board, other		
Value of fringe benefits	280	262
No agreements have been made concerning bonus plans, incentive programmes or similar compensation plans. The Bank is exempt from any defined benefit obligations in respect of the departure of members of the Executive Board, whether as a result of age, illness, disability or any other reason. With reference to the terms and conditions for participation as set out in the Act on State-Funded Capital Injections into Credit Institutions (Bankpakke II), we note that on the calculation of taxable income payments to the Executive Board deducted for tax purposes totalled	4,712	4,602
7 Auditors' fees		
Total fees for the firms of auditors elected at the annual general meeting performing the statutory audit	2,449	3,496
Of which services other than auditing	1,304	1,885
8 Other operating expenses		
The Private Contingency Association (Det Private Beredskab)	84,792	109,243
Other expenses	1,666	319
Other operating expenses, total	86,458	109,562
9 Impairment of loans and receivables etc.		
Loans	347,850	465,142
The Private Contingency Association	63,009	73,046
Guarantees and credit commitments	-2,640	-1,498
Impairment of loans and receivables etc., total	408,219	536,690
Interest income on impaired loans is offset in impairments by	21,893	14,842
10 Tax		
Tax on profit/(loss) for the year	0	0
Deferred tax	3,242	-18,296
Readjustment of tax for previous years	311	562
Tax, total	3,553	-17,734
Effective tax rate:		
Applicable tax rate	25.0%	25.0%
Adjustments to this:		
Non-deductible expenses	13.7%	-2.6%
Non-taxable income	-2.3%	7.0%
Property depreciation and adjustments pertaining to sale	-2.4%	-7.4%
Adjustment of tax for previous years	3.3%	-0.7%
Effective tax rate, total	37.3%	21.3%

Note	2010 TDKK	2009 TDKK
11 Intangible assets		
Goodwill		
Total acquisition price, beginning of the year	96,590	96,590
Total acquisition price, end of the year	96,590	96,590
Impairments, beginning of the year	0	0
Impairments, end of the year	0	0
Recognised holding, end of the year	96,590	96,590
Customer relationships		
Total acquisition price, beginning of the year	14,964	14,964
Total acquisition price, end of the year	14,964	14,964
Amortisations and impairment losses, beginning of the year	1,496	0
Amortisations and impairment losses for the year	1,496	1,496
Amortisations and impairment losses, end of the year	2,992	1,496
Recognised holding, end of the year	11,972	13,468
Intangible assets, total	108,562	110,058
Goodwill and customer relationships are derived from the acquisition of Bonusbanken in 2008. The activities of Bonusbanken have been fully integrated into the activities of vestjyskBANK and therefore cannot be attributed to any separate activity whose returns are monitored in the internal management reporting. This is the reason goodwill has been attributed to the Company as a whole. The following assumptions have been applied to the impairment test: Budget period: 5 years Growth during the terminal period: 2% Rate of discount: 9.4% The impairment test did not give rise to any impairment.		
12 Investment property		
Fair value, beginning of the year	18,401	18,401
Carried forward from owner-occupied property	1,555	0
Disposals during the year	16,030	0
Fair value adjustment for the year	0	0
Fair value at the end of the year	3,926	18,401
Rental income	751	725
Operating expenses on properties generating rental income	-372	-410
The fair value is determined using the rate of return method. Operating income is composed of realised rental income and expenses paid. A rate of return requirement of 6% has been applied.		
13 Owner-occupied property		
Cost price		
Cost price, beginning of the year	371,293	307,021
Additions during the year	2,533	78,932
Disposals during the year	20	14,660
Carried forward to investment property	1,555	0
Total cost price, end of the year	372,251	371,293

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Note	2010 TDKK	2009 TDKK
13 Depreciations		
Depreciations, beginning of the year	4,896	0
Depreciations for the year	4,906	4,896
Depreciations reversed through disposals for the year	20	0
Depreciations, end of the year	9,782	4,896
Carrying amount, end of the year	362,469	366,397
14 Other property, plant and equipment		
Cost price		
Cost price, beginning of the year	31,077	28,409
Additions during the year	6,717	12,594
Disposals during the year	6,373	9,926
Cost price, total, end of the year	31,421	31,077
Depreciations		
Depreciations, beginning of the year	13,702	11,931
Depreciations for the year	9,233	10,159
Depreciations for the year on sold and scrapped assets	695	854
Reversals for the year of impairment losses for previous years and reversal of the overall depreciation and impairment losses on assets sold or retired from operations during the year	5,741	9,242
Depreciations, total, end of the year	17,889	13,702
Carrying amount, end of the year	13,532	17,375
15 Deferred tax assets/liabilities are specified as follows:		
Loans and other receivables	-5,319	-58,354
Property, plant and equipment	11,626	8,178
Provisions for liabilities	-5,140	-5,683
Tax loss	-182,023	-126,941
Others	17,732	16,434
Deferred tax assets (-)/tax liabilities, total	-163,124	-166,366
The deferred tax asset is expected to be utilised within the next three years based on expected core earnings.		
16 Other assets		
Positive market value of derivative financial instruments	815,536	354,040
Interest and commission receivable	73,352	94,275
Other assets	178,479	182,023
Other assets, total	1,067,367	630,338
17 Asset items falling due one year or later from the reporting date		
Amounts receivable from credit institutions and central banks	100,287	109,098
Loans and other receivables at amortised cost	9,274,939	10,499,804
Debt securities at fair value	4,713,082	4,075,819
Other assets	136,570	116,838
Asset items falling due one year or later from the reporting date, total	14,224,878	14,801,559
18 Other liabilities		
Negative market value of derivative financial instruments	573,425	344,567
Various creditors	281,004	152,318
Interest and commission payable	111,979	137,526
Other liabilities	32,988	33,938
Other liabilities, total	999,396	668,349

Note	2010 TDKK	2009 TDKK
19 Subordinated debt		
Tier 2 capital	719,389	1,061,180
Tier 2 capital will fall due between 3 March 2014 and 3 March 2016 with an option of prepayment from 3 March 2011 to 3 March 2013, subject to approval by the Danish Financial Supervisory Authority. This capital will accrue interest at 1.998 – 3.310% with a step-up clause after the prepayment date.		
Of which the Danish Financial Supervisory Authority has approved prepayment of DKK 100 million (2009: DKK 100 million)		
Hybrid core capital of DKK 100 million	102,105	99,397
The capital accrues interest at a fixed 4.765%. There is no due date.		
There is an option of prepayment, subject to the approval of the Danish Financial Supervisory Authority, on 15 November 2015.		
Hybrid core capital of DKK 1,438 million	1,447,866	1,435,976
DKK 322 million is subject to a conversion duty if the Bank does not meet the solvency requirement or if, in the opinion of the Danish Financial Supervisory Authority, there is an imminent risk that the Bank does not meet the solvency requirement.		
The capital accrues interest at a fixed 9.943%. There is no due date.		
An option of prepayment exists, subject to approval by the Danish Financial Supervisory Authority, from 25 August 2012 to 24 August 2014 at par, from 25 August 2014 to 24 August 2015 at a price of DKK 105 per 100, and from 25 August 2015 and thereafter at a price of DKK 110 per 100.		
Premiums are recognised and amortised according to their expected settlement date.		
Hybrid capital, total	1,549,971	1,535,373
Subordinated debt, total	2,269,360	2,596,553
Subordinated debt that can be included in the capital base	2,169,360	2,496,553
20 Share capital		
Number of shares of DKK 10 (denomination).	12,500,000	12,500,000
Share capital, total	125,000	125,000
Number of own equity securities, beginning of the year		
Number of own equity securities in 1,000 unit lots	271	294
Nominal value in DKK 1,000	2,712	2,946
Percentage of the share capital	2.2%	2.4%
Additions		
Purchased own equity securities in 1,000 unit lots	936	2,102
Nominal value in DKK 1,000	9,363	21,019
Percentage of the share capital	7.5%	16.8%
Total purchase price in DKK 1,000	75,529	155,851
Disposals		
Sold own equity securities in 1,000 unit lots	1,108	2,125
Nominal value in DKK 1,000	11,082	21,253

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Note	2010 TDKK	2009 TDKK
20		
Percentage of the share capital	8.9%	17.0%
Total selling price in DKK 1,000	91,161	151,643
Number of own equity securities, end of the year		
Number of own equity securities in 1,000 unit lots	99	271
Nominal value in DKK 1,000	993	2,712
Percentage of the share capital	0.8%	2.2%
The Bank's trade in its own equity securities takes place as part of its regular trade in equity securities.		
As a result of the Bank's receiving government hybrid core capital - in addition to its issuance of debt securities under the individual government guarantee - dividends may only be paid as of 1 October 2010, provided they can be financed on the basis of the current profit.		
21		
Basic earnings per share		
Net profit/(loss) for the year	5,978	-41,292
Average number of equity securities	12,500,000	12,500,000
Average number of own equity securities	110,325	282,974
Average number of equity securities outstanding	12,389,675	12,217,026
Number of diluted equity securities related to payment transactions based on equity securities	0	0
Average number of equity securities outstanding (diluted)	12,389,675	12,217,026
Basic earnings per share	0,48	-3,38
Diluted earnings per share	0,48	-3,38
22		
Liabilities falling due one year or later from the reporting date		
Amounts owed to credit institutions	1,368,550	1,888,804
Deposits	5,244,108	1,349,143
Debt securities in issue at amortised cost	7,859,805	478,146
Other liabilities	22,645	22,730
Subordinated debt	2,269,360	2,596,553
Liabilities falling due one year or later from the reporting date, total	16,764,468	6,335,376
23		
Contingent liabilities		
Financial guarantee contracts	1,312,541	2,502,476
Loss guarantees for mortgage loans	1,072,071	958,528
Registration and conversion guarantees	775,602	605,155
Other contingent liabilities	1,324,510	1,649,229
Total	4,484,724	5,715,388
Other contingent liabilities' include, among other things, performance bonds, delivery guarantees as well as provisions of indemnity in relation to the Danish Guarantee Fund for Depositors and Investors etc.		
Other binding agreements		
Others	205,596	7,781
Total	205,596	7,781

Note	2010 TDKK	2009 TDKK
24 The difference between presenting financial statements under IFRS and the rules set out by the Danish Financial Supervisory Authority		
Profit/(loss) for the year, as presented under IFRS	5,978	-41,292
Owner-occupied property, major depreciation and impairment losses	4,475	24,283
Profit/(loss) for the year, as presented under the rules set out by the Danish Financial Supervisory Authority	1,503	-65,575
Equity under IFRS	2,171,026	2,149,416
Owner-occupied property, accumulated depreciation and impairment losses	28,758	24,283
Equity under the rules set out by the Danish Financial Supervisory Authority	2,142,268	2,125,133
25 Capital requirements		
Equity, end of the year, cf. Note 24	2,142,268	2,125,133
Revaluation reserves	-30,848	-30,848
Intangible assets	-108,562	-110,058
Deferred capitalised tax assets	-163,124	-164,793
Other deductions from the core capital	-106,767	-105,947
Hybrid core capital	1,484,895	1,476,090
Core capital after statutory deductions	3,217,862	3,189,577
Subordinated loan capital	619,389	961,180
Revaluation reserves	30,848	30,848
Hybrid core capital	65,076	59,283
Capital base before deductions	3,933,175	4,240,888
Deductions from the capital base	-106,767	-105,947
Capital base after deductions	3,826,408	4,134,941
Weighted items, total	27,986,714	28,079,546
Core capital after statutory deductions as a percentage of weighted items, total	11.5%	11.4%
Solvency ratio according to sec 124(2) of the Danish Financial Business Act	13.7%	14.7%
Solvency requirement according to sec 124(2) of the Danish Financial Business Act	8.0%	8.0%
The Supervisory Board sets solvency targets and criteria for determining the Bank's solvency need. The Bank's solvency target has been set at 12 percent. The Executive Board is responsible for complying with the targets/framework.		
26 Security pledged		
Debt securities:		
Pledged as security for credit facility with Danmarks Nationalbank		
Total nominal value	1,636,880	876,518
Total market value	1,613,174	874,666
Of which pledged	0	0
Credit institutions:		
Margin accounts pledged as security in respect of financial instruments	301,139	92,402

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Note	2010 TDKK	2009 TDKK
27 Related parties		
Size of loans, pledges, sureties or guarantees made for members of the institution's		
Executive Board	3,400	3,407
Supervisory Board	57,895	55,434
In 2010 the Executive Board was granted a commitment increase of DKK 150 thousand and the Supervisory Board an increase of DKK 4,200 thousand.		
All commitments are provided on arm's-length terms.		
Interest rate:		
Executive Board	4.67%	4.05%-4.11%
Supervisory Board	1.21%*-3.85%	1.55%*-4.00%
* Secured by corresponding deposits		
28 Security pledges made for commitments issued to members of the institution's		
Executive Board	0	0
Supervisory Board	15,440	16,011
29 Fair value of financial assets and liabilities		
Financial instruments are measured in the Statement of Financial Position at their fair value or amortised cost.		
Fair value is the amount for which a financial asset can be traded or a financial liability settled between parties in an arm's-length transaction. For financial assets and liabilities priced in active markets, fair value is determined on the basis of observed market prices on the reporting date. For financial instruments not priced in active markets, fair value is determined on the basis of generally accepted pricing methods.		
Equity securities etc. and derivative financial instruments have been measured at their fair value in the financial statements so that the recognised values correspond to the fair values.		
The impairment of loans is determined to correspond to changes in credit quality. The differential in respect of fair values is assessed to be received fees and commissions, interest receivable, which does not fall due until after the end of the financial reporting period, and, for fixed-rate loans, also market value adjustments linked to the interest rate level.		
The fair value for amounts receivable from credit institutions and central banks is determined by applying the same method as for loans. However, the Bank has not made impairments of amounts receivables from credit institutions and central banks in the current instance.		
Debt securities in issue and subordinated debt are measured at amortised cost. The difference between the carrying amount and the fair value is determined to be interest payable that does not fall due until after the end of the financial reporting period as well as costs and premiums amortised over the life of the loan.		
For floating-rate financial liabilities in the form of deposits and debt to credit institutions measured at amortised cost, the differential in respect of fair values is estimated to be interest payable not falling due until after the end of the financial reporting period.		
For fixed-rate financial liabilities in the form of deposits and debt to credit institutions measured at amortised cost, the differential in respect of fair values is estimated to be interest payable not falling due until after the end of the financial reporting period and the market value adjustments linked to the interest rate level.		
For financial instruments measured at fair value, the basis for establishing the fair value is stated as:		
Level 1: Observable prices in an active market for identical instruments		
Level 2: Valuation model based primarily on observable market data		
Level 3: Valuation model that, to a significant degree, is based on non-observable market data		

Note	2010 Carrying amount	2010 Fair value	2009 Carrying amount	2009 Fair value
29 Financial assets				
Loans and receivables				
Cash in hand and demand deposits with central banks	629,179	629,179	485,386	485,386
Amounts receivable from credit institutions and central banks	1,171,731	1,172,031	1,445,186	1,445,603
Loans	23,467,609	23,503,255	23,874,057	23,915,060
Total	25,268,519	25,304,465	25,804,629	25,846,049
Attributed to fair value in the Statement of Income				
Debt securities at fair value (Level 1)	4,842,029	4,842,029	4,297,370	4,297,370
Listed equity securities (Level 1)	112,036	112,036	146,063	146,063
Unlisted equity securities etc. (Level 3)	466,753	466,753	427,107	427,107
Total	5,420,818	5,420,818	4,870,540	4,870,540
Trading portfolio				
Derivative financial instruments (Level 2)	815,536	815,536	354,040	354,040
Total	815,536	815,536	354,040	354,040
Financial liabilities				
Financial liabilities at amortised cost				
Amounts owed to credit institutions and central banks	3,871,136	3,876,556	3,608,321	3,612,335
Deposits	14,418,662	14,421,442	17,799,809	17,809,302
Debt securities in issue	8,691,272	8,733,492	5,079,836	5,116,449
Subordinated debt	2,269,360	2,294,344	2,596,553	2,627,220
Financial liabilities at amortised cost, total	29,250,430	29,325,834	29,084,519	29,165,306
Trading portfolio				
Derivative financial instruments (Level 2)	573,425	573,425	344,567	344,567
Trading portfolio, total	573,425	573,425	344,567	344,567
Changes in financial assets belonging to Level 3:				
Beginning of the year	427,107		405,327	
Additions	36,175		58,580	
Disposals	12,904		60,581	
Fair value adjustment included in market value adjustments	16,375		23,781	
End of the year	466,753		427,107	
Value adjustment of financial assets in portfolio at 31 December 2010, total	-5,118		20,496	

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30 Risk management

In pursuance of the Danish Financial Business Act, the disclosure requirements set out in Column III of the Danish Executive Order on Capital Adequacy as well as other orders, regulations and guidelines, vestjyskBANK is required to provide detailed public disclosure about risks, capital structure, capital adequacy, risk management etc. The Bank has therefore drawn up 'Risikoreport 2010' (Risk Report 2010), which is available at www.vestjyskbank.dk. The following risk notes contain a brief description of vestjyskBANK's risk management.

The Supervisory Board of vestjyskBANK establishes the overall framework and policies for the risk and capital structure according to which the Executive Board and general management of the Bank manage the risks of the Bank. The Supervisory Board receives regular reports relating to developments in risks and how the allocated risk framework is being utilised. The day-to-day risk management is performed by the Risk Management, Investment & Pension and Credit Departments. The Finance Department performs independent control.

31 Credit risk

A very considerable part of vestjyskBANK's business takes place within the credit area. This area covers loans, credits, guarantees and other financial services. The Bank has continued its credit policy tightening policy from 2009 and is pursuing a cautious risk profile. Our desire is always to maintain a superior quality asset portfolio that can ensure future growth from a stable platform.

Under the Danish Financial Business Act, a commitment to one customer or group of consolidated customers may not exceed 25 percent of the capital base. In order to ensure proper diversification across industry segments and customers, the Bank only accepts commitments exceeding 10 percent of its capital base by way of exception. In doing so, in its issuance of credit vestjyskBANK constantly seeks to ensure that individual commitments, including with consolidated enterprises, do not jeopardise the existence of the Bank. At the end of 2010, large commitments totalled 40.6 percent of the capital base and consisted of three commitments, all in the range of 10 to 16 percent of the capital base.

Effective as of the end of December 2010, the executive order relating to large commitments was amended, so that commitments involving other financial enterprises must be determined more restrictively. As a result, vestjyskBANK now has an additional commitment that exceeds 10 percent without any actual increase in the risk in relation to earlier. The executive order specifies that recognition of such commitments is only required once the commitment exceeds DKK 1 billion. This commitment has therefore not been included in the financial ratio.

In its general management of credit risks, vestjyskBANK is ensuring that it maintains proper diversification, so that individual sectors, geographical concentration or certain types of collateral are not permitted to form a disproportionately large credit risk.

When performing credit reviews of corporate commitments, vestjyskBANK emphasises that the customer's business concept must be sound and sustainable and that the customer is in possession of the requisite areas of expertise. An important component in the Bank's credit review consists of analysing the customer's financial statements and budgets. In analysing the creditworthiness of retail customers, the customer's disposable funds and his or her assets are the decisive factors. vestjyskBANK segments customer commitments into various risk categories. vestjyskBANK employs various systems to facilitate the correct segmentation. Segmentation is an important component in the Bank's management of its credit risks.

vestjyskBANK's corporate customers account for 76 percent of its loans and guarantees; retail customers account for 24 percent.

The need for both performing impairments on an individual basis and in groups and for making provisions for credit commitments is reviewed on an ongoing basis.

The Bank performs impairments on commitments or groups of commitments that display objective indications of impairment loss, so that the anticipated loss risk is hedged. The impairments are made based on a number of general criteria and after preparing a loss calculation statement.

Commitments that exhibit signs of weakness due to e.g. poor earnings or a fragile capital base are monitored closely to allow the Bank to intervene in time and to avoid losses. The Bank performs impairments in groups on the basis of a segmentation model developed by the industry organisation Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (Lokale Pengeinstitutter). The model is structured around a number of macro-economic variables.

Note	2010 TDKK	2009 TDKK
31 Credit exposure		
The Bank's credit exposure is composed of the following assets and items not recognised in the Statement of Financial Position:		
Amounts receivable from central banks	1,027,891	1,377,827
Amounts receivable from credit institutions	671,809	445,423
Debt securities	4,842,029	4,297,370
Loans	24,953,203	25,387,280
Items not recognised in the Statement of Financial Position		
Financial guarantees	2,383,976	3,438,050
Unconditional credit commitments < 1 year	200,000	0
Non-unconditional credit commitments	3,161,259	4,044,062
Total	37,240,167	38,990,012
Credit institutions		
The item 'Amounts receivable from central banks' solely pertains to Danmarks Nationalbank.		
'Amounts receivable from credit institutions' pertain to receivables from a number of credit institutions located in Denmark and abroad. Amounts receivable from individual institutions in excess of DKK 5 million total DKK 521 million, of which DKK 346 million relates to credit institutions or subsidiaries thereof that have a minimum rating of A1 and the others are unrated. Amounts receivable from non-Danish credit institutions is very limited in extent. In 2009 amounts receivable from Danish credit institutions were covered by the general Danish government guarantee programme.		
Debt securities by rating categories		
AAA	3,402,981	3,055,712
AA+ to AA-	768,230	640,165
A+ to A-	408,421	369,564
BBB+ and lower	158,540	123,398
No rating	103,857	108,531
Total	4,842,029	4,297,370
Debt securities by issuers		
Mortgage-credit bonds	4,176,359	4,018,327
Government bonds	1	80
Other debt securities	665,669	278,963
Total	4,842,029	4,297,370
Loans, guarantees and credit commitments by industry segments		
Public authorities	41,901	18,618
Business		
Agriculture, hunting, forestry and fisheries	5,319,569	5,499,268
Industry and raw material extraction	1,337,523	1,249,418
Energy supply	2,167,338	2,006,947

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Note		2010 TDKK	2009 TDKK
31	Building and construction	1,436,526	1,603,765
	Trade	2,441,515	2,604,770
	Transportation, hotels and restaurants	1,296,387	1,236,173
	Information and communications	119,224	163,305
	Financing and insurance	2,401,080	2,216,980
	Real estate	5,068,880	4,744,609
	Other business	2,074,417	2,958,337
	Business, total	23,662,459	24,283,572
	Retail	6,994,077	8,567,202
	Total	30,698,437	32,869,392

Description of collaterals

The Bank holds charge in financed assets for most of its business commitments, which is the reason the most common collaterals are mortgages secured in real property, ships, wind turbines, motor vehicles, movable property and floating charges. Owner's sureties and personal insurance also constitute a large share of the collateral held by the Bank.

The Bank holds charges in financed assets for most of its retail customer commitments which is the reason the most common collaterals are mortgages secured in real property and in motor vehicles.

The Bank continuously performs assessments of pledged collateral. Valuations are performed on the basis of the fair value of the asset, less the margin for covering costs related to realisation, selling period costs as well as rebates. Some collaterals are assessed for precautionary and practical reasons not to have any value; thus, the figures listed below may not necessarily be taken to represent the collaterals' actual value.

Collaterals by type

	Charges held in properties and wind turbines	Right of substitution for security provided on property	Charges held in movable property, motor vehicles, opera- ting equipment, ships etc.	Securities	Bank accounts	Others	Total
2010							
Business							
Agriculture, hunting, forestry and fisheries	1,198,537	34,253	584,659	103,508	39,981	91,920	2,052,858
Industry and raw material extraction	60,915	27,448	27,244	3,827	11,623	44,405	175,462
Energy supply	907,553	4,883	52,870	40,975	12,975	0	1,019,257
Building and construction	158,766	48,837	36,119	8,130	38,149	25,952	315,953
Trade	170,382	61,338	26,407	23,463	30,797	9,516	321,902
Transportation, hotels and restaurants	146,694	167,466	89,102	17,819	18,667	6,219	445,967
Information and communications	24,257	1,766	3,421	14,786	1,057	700	45,987
Financing and insurance	155,349	6,909	29,727	172,977	40,482	52,970	458,413
Real property	877,839	170,646	14,689	73,916	165,402	42,577	1,345,069
Other business	252,725	47,954	43,598	85,154	85,868	52,023	567,323
Business, total	3,953,016	571,500	907,837	544,555	445,002	326,282	6,748,192
Private	1,341,187	174,943	230,738	279,483	98,510	71,216	2,196,077
Total	5,294,203	746,443	1,138,576	824,038	543,512	397,498	8,944,269

No comparative figures for 2009 are available.

Note

31 **Credit quality of loans that are neither delinquent nor have been written down.**

Loan and guarantee debtors with signs of weakness' refers to loans and guarantee debtors for which individual impairments have not been performed but which display signs of weakness. 'Signs of weakness' refers to conditions that affect the credit risk assessment of the loan negatively. These are loan and guarantee debtors whose credit rating is impaired and therefore closer to being written down.

	Loans + guarantee debtors with material weaknesses, but without impairments/ provisions	Loans + guarantee debtors with slightly impaired credit rating, certain signs of weakness	Loans + guarantee debtors with normal credit rating	Amortised cost, total
2010				
Public authorities	0	0	4,233	4,233
Business				
Agriculture, hunting, forestry and fisheries	200,927	747,980	1,239,854	2,188,761
Industry and raw material extraction	56,902	45,901	377,963	480,766
Energy supply	95,425	108,170	880,417	1,084,012
Building and construction	70,000	131,772	362,706	564,478
Trade	145,834	262,809	775,642	1,184,285
Transportation, hotels and restaurants	45,153	95,886	389,839	530,878
Information and communications	14,272	8,896	40,452	63,620
Financing and insurance	48,167	106,731	942,479	1,097,377
Real property	121,594	523,874	860,003	1,505,471
Other business	97,173	165,427	857,742	1,120,342
Business, total	895,447	2,197,446	6,727,097	9,819,990
Retail	696,414	804,989	2,926,739	4,428,142
Total	1,591,861	3,002,435	9,658,069	14,252,365
2009				
Public authorities	0	0	10,510	10,510
Business				
Agriculture, hunting, forestry and fisheries	288,314	301,162	1,909,397	2,498,873
Industry and raw material extraction	68,524	120,522	385,740	574,786
Energy supply	103,075	248,213	950,190	1,301,478
Building and construction	76,496	139,211	465,779	681,486
Trade	101,255	204,654	1,013,250	1,319,159
Transportation, hotels and restaurants	44,233	146,368	370,638	561,239
Information and communications	11,290	9,125	43,933	64,348
Financing and insurance	40,064	247,992	651,465	939,521
Real property	298,855	665,091	1,058,774	2,022,720
Other business	126,076	318,294	848,404	1,292,774
Business, total	1,158,182	2,400,632	7,697,570	11,256,384
Private	1,007,775	868,942	3,094,192	4,970,909
Total	2,165,957	3,269,574	10,802,272	16,237,803

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31 Distribution by industry segment of overdue receivables for loans that have not been written down

	0 - 90 days 2010 TDKK	> 90 days 2010 TDKK	Total 2010 TDKK	0 - 90 days 2009 TDKK	> 90 days 2009 TDKK	Total 2009 TDKK
Public authorities	23,474	0	23,474	0	0	0
Business						
Agriculture, hunting, forestry and fisheries	64,175	318	64,493	89,481	3,206	92,687
Industry and raw material extraction	34,255	0	34,255	24,064	184	24,248
Energy supply	10,114	0	10,114	993	358	1,351
Building and construction	18,410	27	18,437	22,225	1,568	23,793
Trade	29,665	2,474	32,139	40,944	3,657	44,601
Transportation, hotels and restaurants	23,542	384	23,926	12,080	6,631	18,711
Information and communications	1,337	110	1,447	1,621	2	1,623
Financing and insurance	8,191	10	8,201	1,978	3	1,981
Real property	64,137	7,325	71,462	21,233	605	21,838
Other business	23,410	1,143	24,553	72,259	8,842	81,101
Business, total	277,236	11,791	289,027	286,878	25,056	311,934
Private	94,471	859	95,330	235,847	7,186	243,033
Arrears, total	395,181	12,650	407,831	522,725	32,242	554,967
Exposure, total	11,928,282	58,679	11,986,961	20,332,836	438,240	20,771,076

Further itemisation of delinquent amounts, end of 2010

	0-30 days 2010 TDKK	31-60 days 2010 TDKK	61-90 days 2010 TDKK	> 90 days 2010 TDKK	Total 2010 TDKK
Public authorities	23,474	0	0	0	23,474
Business					
Agriculture, hunting, forestry and fisheries	52,347	5,453	6,375	318	64,493
Industry and raw material extraction	14,137	19,609	509	0	34,255
Energy supply	8,573	1,541	0	0	10,114
Building and construction	14,613	1,873	1,924	27	18,437
Trade	22,062	3,013	4,590	2,474	32,139
Transportation, hotels and restaurants	17,754	4,576	1,212	384	23,926
Information and communications	958	277	102	110	1,447
Financing and insurance	6,951	295	945	10	8,201
Real property	58,468	3,356	2,313	7,325	71,462
Other business	19,816	2,710	884	1,143	24,553
Business, total	215,679	42,703	18,854	11,791	289,027
Private	84,461	6,328	3,682	859	95,330
Arrears, total	323,614	49,031	22,536	12,650	407,831
Exposure, total	10,886,287	722,941	319,054	58,679	11,986,961

No comparative figures for 2009 are available.

Note	2010 TDKK
31 Distribution of gross loan and guarantee debtors, individually impaired by cause	
Suspension of payment/bankruptcy	493,639
Rescheduling of debts	8,787
Collection	101,140
Customer deceased	6,299
Relief in terms	928,297
Other causes	1,672,798
Total	3,210,960

No comparative figures for 2009 are available.

Distribution by industry segment of loan and guarantee debtors, individually impaired

	Gross	Impairments/ provisions	Net	Loan value of collaterals	Unsecured part before impairment
2010					
Public authorities	0	0	0	0	0
Business					
Agriculture, hunting, forestry and fisheries	474,027	150,031	323,996	74,798	399,229
Industry and raw material extraction	109,875	60,732	49,143	6,644	103,231
Energy supply	0	0	0	0	0
Building and construction	157,061	89,590	67,471	12,968	144,093
Trade	112,304	70,354	41,950	11,370	100,934
Transportation, hotels and restaurants	158,540	66,021	92,519	7,174	151,366
Information and communications	9,498	6,361	3,137	153	9,345
Financing and insurance	821,873	415,752	406,121	70,694	751,179
Real property	833,945	262,526	571,419	185,105	648,840
Other business	237,357	113,493	123,864	21,647	215,710
Business, total	2,914,480	1,234,860	1,679,620	390,553	2,523,927
Private	296,480	192,768	103,712	20,878	275,602
Total	3,210,960	1,427,628	1,783,332	411,431	2,799,529

No comparative figures for 2009 are available.

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Note

31 **Collaterals for loans and guarantees that have been individually impaired, by type of collateral**

	Charges held in properties and wind turbines	Right of substitution for security provided on property	Charges held in movable property, motor equipment, ships etc.	Securities	Bank accounts	Others	Total
2010							
Business							
Agriculture, hunting, forestry and fisheries	12,459	0	19,538	0	10	42,791	74,798
Industry and raw material extraction	569	694	1,998	102	31	3,250	6,644
Energy supply	0	0	0	0	0	0	0
Building and construction	10,015	236	1,093	0	1,624	0	12,968
Trade	7,996	0	3,373	1	0	0	11,370
Transportation, hotels and restaurants	1,000	2,690	1,647	17	1,820	0	7,174
Information and communications	39	0	112	0	2	0	153
Financing and insurance	7,903	0	36	28,844	281	33,630	70,694
Real property	174,241	7,024	0	3,385	455	0	185,105
Other business	7,253	2,619	5,123	5,302	0	1,350	21,647
Business, total	221,475	13,263	32,920	37,651	4,223	81,021	390,553
Private	10,919	2,046	5,797	622	174	1,320	20,878
Total	232,394	15,309	38,717	38,273	4,397	82,341	411,431

No comparative figures for 2009 are available.

	2010 TDKK	2009 TDKK
Impairments of loans and provisions against guarantees etc.		
Individual impairments of loans		
Individual impairments of loans and other receivables, beginning of the year	1,382,857	1,193,773
Impairments over the course of the period	362,567	452,642
Reversal of impairments performed in prior financial years	-7,851	-85,339
Other movements	13,828	-51,521
Previously individually impaired, now definitely lost	-334,483	-126,698
Individual impairments of loans and other receivables, end of the year	1,416,918	1,382,857
Impairments of loans in groups		
Impairments of loans and other receivables in groups, beginning of the year	103,822	18,020
Impairments over the course of the period	24,036	87,886
Reversal of impairments performed in prior financial years	-58,547	-2,147
Other movements	1,014	63
Impairments of loans and other receivables in groups, end of the year	70,325	103,822
Impairments of loans, total		
Impairments of loans and other receivables, beginning of the year	1,486,679	1,211,793
Impairments over the course of the period	464,334	540,528

Note	2010 TDKK	2009 TDKK
31		
Reversal of impairments performed in prior financial years	-66,398	-87,486
Other movements	14,842	-51,458
Previously individually impaired, now definitely lost	-412,214	-126,698
Impairments of loans and other receivables, end of the year	1,487,243	1,486,679
Provisions against losses on guarantees and unused credit commitments		
Provisions against losses on guarantees and unused credit commitments, beginning of the year	101,081	29,534
Provisions over the course of the period	6,962	84,273
Reversal of provisions performed in prior financial years	-97,333	-12,726
Provisions against losses on guarantees and unused credit commitments, end of the year	10,710	101,081
At year-end 2009, provisions against losses in respect of the Private Contingency Association (Det Private Beredskab) were included in the total. In 2010 this item was recognised under 'Other debt.' It is anticipated that final settlement will occur in 2011.		
Accumulated impairment ratio	5.1%	5.1%
Loans for which calculation of interest has stopped, end of the year	1,065,581	970,206
Of which impaired, total	774,150	664,754
Loans for which calculation of interest has stopped, as a percentage of loans before impairments	4.3%	3.8%

32 Market risks

The risk that the market value of the Bank's financial assets and liabilities changes as a result of changes in market conditions is collectively named 'market risks'. Exposure to market risks is a natural part of the Bank's activities with significance for the Bank's total earnings. Monitoring market risks and controlling the established framework take place on a daily basis. The Executive Board is notified of deviations immediately.

Interest rate risk

Applying the Danish Financial Supervisory Authority's guidelines, interest rate risk is calculated as the total loss risk of a general change in the interest rate level of 1 percentage point. The total interest rate risk covers the risk for both debt securities, derivative financial instruments, and deposits and loans. The Bank is using interest rate swaps to hedge against the interest rate risk in full or in part of fixed-rate deposits and loans as part of its risk management.

	2010 TDKK	2009 TDKK
The total interest rate risk has been measured at	-62,637	-50,791
Measured in relation to the core capital, this corresponds to	-1.9%	-1.6%

The change is primarily a result of a fair value adjustment of the Bank's fixed-rate assets and liabilities. The change in the interest rate risk in 2010 compared to 2009 can primarily be attributed to a larger portfolio of debt securities. In the stress tests carried out in connection with determining the adequacy of the capital base, the Bank has chosen to employ a scenario whereby the Bank is exposed to an interest rate increase of 2 percentage point for items in and outside the trading portfolio. Additionally, the interest rate risk is stress-tested for changes in the term structure of interest rates of 0.7 percentage point. Changes arising from floating-rate assets and variable-rate liabilities do not have any impact on the profit or loss.

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Note	2010 TDKK	2009 TDKK
32 Hedge accounting		
For hedging interest rate risk, the following are hedged (fair value hedge):		
Debt securities	250,748	448,528
Hedged with interest rate swaps, maturity 2015-2018		
synthetic principal	261,998	461,857
fair value	-13,089	-16,691
Loans at amortised cost	310,829	417,104
Hedged with interest rate swaps, maturity 2011-2032		
synthetic principal	284,748	385,016
fair value	-12,136	-13,036
Hedged with interest rate caps, maturity 2024-2027		
synthetic principal	26,081	32,088
fair value	446	205
Deposits	0	300,000
Hedged with interest rate swaps		
synthetic principal	0	300,000
fair value	0	7,219
Subordinated debt	102,105	99,397
Hedged with interest rate swaps, maturity 2015		
synthetic principal	100,000	100,000
fair value	2,105	-603
Total fair value adjustment of hedging instruments	1,464	-6,602
Total fair value adjustment of the hedged items	603	22,933
Ineffectiveness recognised in the Statement of Income	2,067	16,331
Foreign currency risk		
Foreign Exchange Indicator 1 expresses a simplified target for the scope of the Bank's positions in foreign currency and is calculated under the guidelines of the Danish Financial Supervisory Authority as the greater of the sums of all the short foreign currency positions and the sum of all the long foreign currency positions.		
Assets in foreign currency, total	4,835,187	5,862,200
Liabilities in foreign currency, total	8,318,798	4,488,366
Foreign Exchange Indicator I	151,718	125,732
Foreign Exchange Indicator I as a percentage of core capital (incl. hybrid core capital), less deductions	4.7%	3.9%
The currency position consists primarily of positions in EUR and CHF. The Bank's positions are negligible and sensitivity to currency rate changes is insignificant.		

Note	2010 TDKK	2009 TDKK
32 For hedging foreign currency risk, the following are hedged (fair value hedge):		
Debt securities in issue in NOK, SEK and USD	5,355,617	1,658,741
Hedged with foreign currency swaps, maturity 2011-2013		
principal	5,330,359	1,698,802
fair value	48,540	-34,557
Subordinated debt in NOK and EUR	128,709	232,340
Hedged with foreign currency swaps, maturity 2011		
principal	129,465	241,365
fair value	-827	-9,201
The provisions on hedge accounting have not been applied to these transactions.		
Equity risk		
Equity risk is determined on the basis of the amount invested in equity securities and equity-related products. Equity risk constitutes 18.7 percent of the core capital at the end of 2010, compared to 18.5 percent in 2008. Approximately 80 percent of the shares in the share portfolio consist of shares in companies that are partners.		
Equity securities etc.		
Shares/unit-denominated certificates listed on NASDAQ OMX Copenhagen A/S	72,352	90,688
Shares/unit-denominated certificates listed on other exchanges	39,684	55,375
Unlisted shares recognised at their fair value	466,753	427,107
Unlisted shares etc. recognised at cost	22,600	18,226
Equity securities etc., total	601,389	591,396
Sensitivity		
If the value of the Bank's equity holding at 31 December had been 10 percent lower, all other factors being equal, the results for the year before tax would be changed by	-60,139	-59,140

The change is a consequence of a negative fair value adjustment of the equity portfolio. The higher equity risk in 2010 compared to 2009 can be attributed to the increase in the equity position. The equity risk has increased by DKK 9.9 million, where the positive market value adjustments in 2010 constituted DKK 22 million. In the stress tests carried out in connection with determining the adequacy of the capital base, the Bank decided to apply a more stringent scenario, in which the Bank was exposed to a loss of 15 percent of the value of the equity holding in companies supporting the Bank's operations (sector companies) and a decline of 30 percent in the value of the equity holding in all other companies.

Derivative financial instruments

Derivative financial instruments are utilised by both the Bank's customers and the Bank to hedge and manage financial risks and positions.

Notes to the Annual Report

Note

33 Liquidity risk

vestjyskBANK's cash resources are monitored closely in the day-to-day cash management practices. Its cash resources are established based on the objective of ensuring a contingency level sufficient to cover the anticipated loans and changes to such loans, as well as ensuring sufficient liquidity to be able always to cover normal fluctuations in the Bank's deposits. The resources consist of cash equivalents, credit facilities with Danmarks Nationalbank, and undrawn committed credits with other credit institutions.

vestjyskBANK's liquidity policy specifies that loans must be financed by deposits, debt securities in issue and loans with lives of > 1 year, and subordinated loans, as well as equity, less properties; these items are monitored on a monthly basis. Additionally, stress tests are carried out that exert stress across these parameters; cash resources are similarly made subject to stress tests.

	2010 TDKK	2009 TDKK
Cash resources		
Demand deposits and uncollateralised certificates of deposit with Danmarks Nationalbank as well as demand deposits and undrawn committed credits with other credit institutions	1,824,482	2,229,072
Cash equivalents	5,870,811	5,427,508
Total	7,695,293	7,656,580
Excess cover in relation to the 10 percent requirement set out in sec 152 of the Danish Financial Business Act	126.9%	125.8%

Contractual terms of financial liabilities

	Carrying amount TDKK	Contractual cash flows TDKK	Before 1 year TDKK	1-5 years TDKK	After 5 years TDKK
2010					
Amounts owed to credit institutions and central banks	3,871,136	4,022,913	2,507,083	1,135,487	380,343
Deposits and other debt	14,418,662	14,632,349	11,900,143	2,598,111	134,095
Debt securities in issue at amortised cost	8,691,272	8,990,369	960,590	8,029,779	0
Subordinated debt	2,269,360	3,597,288	169,379	1,567,098	1,860,811
Irrevocable credit commitments and guarantees (1)	4,684,724	4,684,724	4,684,724	0	0
Derivative financial instruments	573,425	778,952	414,214	276,886	87,852
2009					
Amounts owed to credit institutions and central banks	3,608,321	3,874,479	1,722,128	1,418,972	733,379
Deposits and other debt	17,799,809	17,887,718	17,501,660	262,492	123,566
Debt securities in issue at amortised cost	5,079,836	5,233,814	4,746,241	479,455	8,118
Subordinated debt	2,596,553	4,181,124	175,551	1,736,538	2,269,035
Irrevocable credit commitments and guarantees (1)	5,715,388	5,715,388	5,715,388	0	0
Derivative financial instruments	344,567	609,035	240,238	269,532	99,265

1 This fully pertains to amounts for which payments are expected to be made.

Note

- 33 The maturity analysis shows the contractual undiscounted cash flows and includes principal and interest. The distribution by maturity is made on the basis of the earliest point in time an amount can be made payable. Hybrid capital with no maturity date has been listed according to expected life.
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34 **Other risks**

Operating risks

Organisationally, a parent unit for risk management has been established in which the general responsibility for operational risks is based. vestjyskBANK considers its reliance on key employees to be a focus area. There are ongoing efforts to minimise the Bank's reliance on key employees, among other things in the form of written business procedures, centralisation of tasks, and the outsourcing of areas that are not significant to the Bank's competitiveness.

vestjyskBANK is continuously working on policies and contingency plans for physical catastrophes and IT-related disaster recovery.

The Bank is a member of Bankernes EDB Central (BEC), which handles the day-to-day operations of its IT systems. The Bank follows the directions and recommendations issued by BEC, and it does not perform any independent IT system development.

The Bank's contingency plans for the IT area cover service interruptions at headquarters and parts of the branch network. For interruptions in one or more branches, operations can still take place from the other branches, and in the event of prolonged interruptions at headquarters, vital functions can be carried out from one of the branches. The Bank's contingency plan is reviewed by the Supervisory Board at least once a year.

The operational risk is minimised by ensuring, among other things, that the execution of activities is organisationally separated from the control of such activities.

Capital base risk

The capital base is monitored on an ongoing basis, and the Supervisory Board receives monthly reports based on established guidelines. Management has established a solvency target of 12 percent, which, however, will be revised when the new future Basel II

Compliance

vestjyskBANK has a compliance function, whose area of responsibility is to monitor compliance with financial legislation. Instructions and an annual plan for this area, approved by the Supervisory Board, have been drawn up.

A new executive order relating to the management of banks which entered into effect on 1 January 2011 has been issued that imposes, among other things, additional requirements for policies, procedures, processes and organisational structure with respect to the areas mentioned above.

35 **Pending litigation**

Legal proceedings have been instituted against vestjyskBANK by EBH-Fonden in bankruptcy for DKK 100 million in consequence of the Bank's setting off liabilities to EBH-Fonden in bankruptcy in the Bank's amount receivable with EBH-Fonden in bankruptcy. The Bank's liabilities consisted of subordinated loan capital, which the Bank was granted permission to settle in 2009 by the Danish Financial Supervisory Authority. The Bank's amount receivable consists of a regular receivable. Since the Bank does not expect that it will lose the proceeding, no provisions have been made for the amount at issue. In the event the Bank were to lose the proceeding, the estate dividend paid to creditors will be increased.

Apart from that, vestjyskBANK is not currently a party to any litigation of significance.

Notes to the Annual Report

	Danish Financial Supervisory Authority rules 1 Jan - 31 Dec 2009 TDKK	Change	IFRS rules 1 Jan - 31 Dec 2009 TDKK
36 Effect of transition to IFRS			
Statement of Income			
Net interest and fee income	1,021,297		1,021,297
Market value adjustments	140,803		140,803
Other operating income	65,684		65,684
Personnel and administrative expenses	622,901		622,901
Depreciation, amortisation and impairment losses; property, plant and equipment as well as intangible assets	41,940	-24,283	17,657
Other operating expenses	109,562		109,562
Impairment of loans and receivables etc.	536,690		536,690
Profit/(loss) before tax	-83,309	24,283	-59,026
Tax	-17,734		-17,734
Net profit/(loss) for the year	-65,575	24,283	-41,292

	Danish Financial Supervisory Authority rules 31 Dec 2009 TDKK	Change	IFRS rules 31 Dec 2009 TDKK	Danish Financial Supervisory Authority rules 1 Jan 2009 TDKK	Change	IFRS rules 1 Jan 2009 TDKK
Selected items from Statement of Financial Position						
Assets						
Investment property	18,401		18,401	9,251		9,251
Owner-occupied property	342,114	24,283	366,397	316,272	0	316,272
Land and buildings, total	360,515		384,798	325,523		325,523
Equity and debt securities	4,889,066		4,889,066	5,059,363		5,059,363
Other property, plant and equipment	17,375		17,375	16,478		16,478
Current tax assets	1,036		1,036	53,857		53,857
Deferred tax assets	166,366		166,366	146,185		146,185
Other assets (missing corr. BEC)	630,338		630,338	615,572		615,572
Assets, total	32,814,095	24,283	32,838,378	32,217,366	0	32,217,366
Liabilities						
Other liabilities	668,349		668,349	1,028,198		1,028,198
Liabilities, total	30,688,962		30,688,962	30,021,445		30,021,445
Equity						
Share capital	125,000		125,000	125,000		125,000
Revaluation reserves	30,848		30,848	30,848		30,848
Retained profit/(loss)	1,969,285	24,283	1,993,568	2,040,073		2,040,073
Equity, total	2,125,133	24,283	2,149,416	2,195,921	0	2,195,921
Liabilities and equity, total	32,814,095	24,283	32,838,378	32,217,366	0	32,217,366

- 1) The carrying amount at 1 January 2009 equals the fair value used as starting value upon transition to IFRS.
- 2) Measurement of equity and debt securities attributed to fair value in the Statement of Income is unchanged in relation to previous accounting policy.

Note	2010	2009	2008	2007	2006
37 Key figures and financial ratios					
Statement of Income (Figures in MDKK)					
Net interest income	817	789	572	484	432
Net fee income	233	225	142	128	122
Dividends on equity securities etc.	3	7	6	4	3
Market value adjustments for foreign currency and sector shares	37	57	59	33	61
Other operating income	9	5	3	3	4
Core income	1,099	1,083	782	652	622
Personnel and administrative expenses	-590	-622	-447	-353	-318
Other operating expenses as well as depreciation, amortisation and impairment losses; property, plant and equipment as well as intangible assets	-18	-19	-14	-12	-9
Operating expenses and operating depreciations and amortisations	-608	-641	-461	-365	-327
Core earnings before impairments	491	442	321	287	295
Impairments of loans and receivables etc., excl. the Private Contingency Association (Det Private Beredskab)	-345	-464	-155	15	-11
Core earnings after impairments	146	-22	166	302	284
Other market value adjustments	12	84	-117	-11	27
Profit after market value adjustments	158	62	49	291	311
Impairments pertaining to transfer of assets recognised as income	0	61	0	0	0
Merger negative goodwill recognised as income	0	0	251	0	0
The Private Contingency Association	-148	-182	-46	0	0
Profit/(loss) before tax	10	-59	254	291	311
Tax	-4	18	4	-69	-72
Net profit/(loss) for the year	6	-41	258	222	239
Statement of Financial Position (Figures in MDKK)					
Assets, total	33,577	32,838	32,216	18,513	14,300
Loans	23,468	23,874	24,069	14,563	11,531
Deposits, including pooled funds	15,564	18,635	16,643	9,174	7,671
Contingent liabilities	4,485	5,715	6,731	5,439	4,609
Business volume	43,517	48,224	47,443	29,176	23,811
Equity	2,171	2,149	2,196	1,714	1,656
Solvency					
Solvency ratio	13.7%	14.7%	9.8%	9.1%	11.2%
Core capital ratio	11.5%	11.4%	6.4%	7.3%	9.8%
Earnings					
Return on equity before tax, annually (1)	0.4%	-2.7%	13.0%	17.3%	20.3%
Return on equity after tax, annually (1)	0.3%	-1.9%	13.2%	13.2%	15.6%
Income/cost ratio (2)	1.01	0.95	1.39	1.83	1.92
Cost ratio (3)	55.3%	59.2%	58.9%	56.0%	52.6%
Employees converted to full-time (average)	642.1	658.9	471.7	431.7	405.5
Market risk					
Interest rate risk (4)	-1.9%	-1.6%	2.9%	2.1%	2.1%
Foreign currency position (5)	4.7%	3.9%	25.4%	99.6%	3.0%
Foreign currency risk	0.1%	0.1%	0.1%	0.1%	0.0%
Excess cover in relation to statutory liquidity requirements (6)	126.9%	125.8%	71.6%	47.5%	19.4%

Notes to the Annual Report

Note	2010	2009	2008	2007	2006
37 Credit risk					
Loans plus impairments on loans in relation to deposits	160.3%	135.0%	150.3%	160.6%	153.0%
Loans in relation to equity	10.8	11.1	10.9	8.5	7.0
Growth in loans for the period (8)	-1.7%	-0.8%	65.3%	26.3%	27.6%
Total of large commitments (7)	40.6%	38.1%	80.5%	125.4%	44.4%
Accumulated impairment ratio	5.1%	5.1%	3.9%	0.9%	1.3%
Impairment ratio for the year	1.4%	1.7%	0.6%	-0.1%	0.1%
vestjyskBANK share					
Profit/(loss) per share for the period (denomination DKK 10)	0.5	-3.4	25.3	26.3	27.8
Equity value per share (denomination DKK 10)	175.1	175.8	180.3	207.4	191.1
Dividend per share (denomination DKK 10)	0.0	0.0	0.0	5.0	5.0
Price of vestjyskBANK shares, end of the year	68.5	87.0	46.0	289.9	312.2
Market price/profit/(loss) for the period per share	142.0	-25.7	1.8	11.0	11.2
Market price/equity value per share	0.4	0.5	0.3	1.4	1.6

Comparative figures for 2006–2007 are stated without, respectively, Bonusbanken and Ringkjøbing Bank.

In the Statement of Income for 2008, Bonusbanken is recognised from 1 October and Ringkjøbing Bank from 3 December.

Changes in accounting policy have been applied prospectively in consequence of the transition to IFRS in accordance with IFRS 1. The comparative figures for the period 2006-2008 have therefore not been restated in accordance with the changed accounting policies.

- 1 On the basis of the average equity
- 2 Income from ordinary activities in relation to costs from ordinary activities
Income from ordinary activities = net interest and fee income + market value adjustments + other operating income
Costs from ordinary activities = personnel and administrative expenses + depreciation, amortisation and impairment losses; property, plant and equipment as well as intangible assets + other operating expenses + impairment of loans and receivables etc.
- 3 Operating costs as well as depreciation, amortisation and impairment losses; property, plant and equipment as well as intangible assets / core income
- 4 Interest rate risk in relation to core capital, less deductions
- 5 Foreign Exchange Indicator 1 in relation to core capital, less deductions
- 6 Excess cover in relation to the 10 percent requirement set out in sec 152 of the Danish Financial Business Act
- 7 Commitments exceeding 10 percent of the capital base in relation to the capital base. The method of accounting has been changed for 2010, cf. new executive order.
- 8 Growth in loans measured in relation to vestjyskBANK's loans, beginning of the year



