

Aarhus Lokalbanc

BYENS BANK 



Annual Report 2008

The concept of Aarhus Lokalbanc



The concept is to stand out as an independent, serious and reliable bank with a credible reputation towards shareholders as well as customers and employees.

This is realized in regards to:

The shareholders:

The bank shall be able to offer the shareholders an acceptable return on the invested capital.

The customers:

The bank shall provide competitive product offering and prices, competent and individual customer service, and be able to identify and support the customers need for financial services.

The employees:

The employees of the bank are the most important resource and the bank will secure the best possible working environment for each individual employee through practical as well as theoretical education and personal development.

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2008 an eventful financial year:

a year of financial crisis, the bank's 100 years' jubilee and relocation of headoffice

In the past year, the bank celebrated its 100 years' jubilee, which was marked by two celebrations in Hadsten and Aarhus as well as the publication of an elegant jubilee book.

At the end of April 2008, the bank moved to its new headoffice in Aarhus. The location of the new headoffice in the customs house has proved to be good, as a large number of new customers have found their way to our bank during 2008 – providing a breeding ground for the bank's prosperity in the years to come.

However, performance-wise 2008 was not a good year. A striking turn of the market resulted in tough market conditions for the financial institutions in Denmark and for the global financial sector. We were overwhelmed by a financial tsunami from abroad, which had initially devastated the USA and other parts of Europe. Major international finance houses which we believed to be rocket solid were washed away by the waves of the tsunami. In Denmark, several financial institutions succumbed; the most prominent ones being BankTrelleborg, Roskilde Bank and EBH-Bank.

The result for the year amounted to a loss before tax of DKK 3.5 million, which is obviously not satisfactorily. However, looking behind the figures, it should be noted that the bank's core earnings grew by 21.2% corresponding to DKK 9.2 million, which we find highly satisfactorily. The financial statements are affected by market value adjustments and foreign exchange losses at a total amount of DKK 11.7 million. One-off expenses for the jubilee and relocation of the headoffice etc, amounted to DKK 8.0 million, and payments for the government guarantee scheme and for distressed banks totalled a little more than DKK 9 million. DKK 30.9 million was recognised as provisions for bad debts, of which approx. DKK 6.4 million is considered lost.

The bank's total business volume (deposits, loans and guarantees) have seen a modest increase of 3.8% and now amounts to DKK 8.0 billion.

In May 2008, the bank strengthened its capital base once again by raising additional subordinated loan capital of DKK 135 million, and subsequently a previous subordinated loan of DKK 25 million was repaid. The bank's equity, with the addition of subordinated loan capital injections, has now passed DKK 761 million corresponding to 15% of its risk-weighted items.

With the new law recently adopted by the Danish Parliament (Folketinget), Danish banks can raise hybrid core capital to strengthen their capital base. Assuming the adoption by our shareholders at the coming general meeting, we expect to strengthen the bank's capital base by DKK 240 million, which will bring the bank's solvency ratio to 19–21%. The minimum requirement is 8%; consequently, the bank will be well prepared to withstand possible losses generated from the coming recession.

The bank is highly focused on human resources, and significant measures have been taken during the past few years aimed at maintaining and recruiting skilled employees. Also in 2008, the bank recruited new staff – resulting in a total workforce of 105 employees. Converted into full-time employees, this is an increase from 84 to 96 employees. No employee bonus has been granted for 2008, as the bank recorded negative results. Based on the tough market conditions, the bank has agreed with its

employees that the existing employee bonus scheme will be suspended for the time being. The bank's management hereby thanks its employees for the responsibility that they have demonstrated in this respect.

The bank's shareholders have faced a quite unsatisfactory return for 2008. The bank's share price suffered a fall from 180 to 48 during the year. The major decline reflects the uncertainty and tough market conditions prevailing in the financial sector.

The bank's premises are soon ready. In Langaa, the construction of a new bank building was initiated during the fall, and the building is expected to be ready for use by mid-2009. A long-felt desire has now been fulfilled benefitting our staff and customers in Langaa.

The bank's old headoffice in Hadsten have now been refurbished and are up-to-date. The necessary investments have now been made in the bank's premises providing a satisfactory work environment for the bank's employees and pleasant surroundings for the bank's many customers.

The bank has now operated for more than 100 years, and the strategic decisions of establishing Aarhus Lokalbanc and relocating the bank's headoffice to Aarhus offer the potential for future growth. The bank's location in the heart of the Eastern Jutland growth area allows for continued development of the bank in the years to come. The difficult financial conditions affecting everybody will probably result in the bank not being able to deliver a performance fully in line with previous years. Supported by its employees, customers and shareholders, the bank is well prepared to take on the challenges to come.

We would like to thank our shareholders, customers, employees and the bank's other cooperation partners for good cooperation during 2008.

We look forward to working with you in 2009.

Per Hermansen



Chief Executive Officer



Five years in figures

| DKK 1,000 | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|------------------|------------------|------------------|------------------|------------------|
| Summery result | | | | | |
| Interest income | 305,837 | 208,072 | 105,726 | 66,929 | 56,549 |
| Interest expenses | 204,670 | 128,179 | 46,222 | 21,096 | 14,893 |
| Net interest income etc. | 101,167 | 79,893 | 59,504 | 45,833 | 41,656 |
| Divedend on shares etc. | 3,669 | 2,227 | 1,719 | 1,029 | 711 |
| Income from fees and commission (net) | 38,378 | 38,645 | 31,876 | 24,872 | 19,072 |
| Net income from interest and fees | 143,214 | 120,765 | 93,099 | 71,734 | 61,439 |
| Other operating income | 0 | 63 | 177 | 196 | 1,776 |
| Staff costs and administrative expenses | 87,779 | 75,280 | 62,360 | 50,089 | 43,895 |
| Other operating expences | 65 | 0 | 49 | 0 | 0 |
| Depreciation and write-downs on intangible and tangible assets | 2,753 | 2,136 | 3,855 | 1,628 | 1,217 |
| Core earings before adjustments and write-downs | 52,617 | 43,412 | 27,012 | 20,213 | 18,103 |
| Cost of special character* | 8,006 | 0 | 0 | 0 | 0 |
| Payment to the State guarantee scheme | 5,487 | 0 | 0 | 0 | 0 |
| Market value adjustments | -11,746 | 3,841 | 20,348 | 21,574 | 16,481 |
| Impairment of loans and advances and accounts receivable etc. | 30,866 | -1,397 | -5,036 | -6,416 | 4,344 |
| Profit/loss on equity investment in associates and group interprises | 8 | 0 | -182 | -36 | -57 |
| Profit before tax | -3,480 | 48,650 | 52,214 | 48,167 | 30,183 |
| Tax | -1,173 | 11,838 | 11,563 | 12,775 | 7,144 |
| Profit for the year | -2,307 | 36,812 | 40,651 | 35,392 | 23,039 |
| Summary balance sheet | | | | | |
| ASSETS | | | | | |
| Cash holding, amount owed by other finas. inst. | 722,962 | 477,243 | 237,040 | 238,804 | 121,547 |
| Loans and advances | 3,712,604 | 3,571,376 | 2,048,600 | 1,086,951 | 782,599 |
| Bonds, shares etc. | 261,413 | 344,603 | 409,898 | 297,938 | 250,532 |
| Intagible and tangible assets | 59,034 | 50,814 | 42,219 | 36,078 | 36,136 |
| Other assets | 32,312 | 34,673 | 22,279 | 13,436 | 14,063 |
| Total assets | 4,788,325 | 4,478,709 | 2,760,036 | 1,673,207 | 1,204,877 |
| LIABILITES | | | | | |
| Debt to finansial institutions | 1,527,917 | 1,591,623 | 1,033,725 | 309,204 | 167,964 |
| Deposits and other debt | 1,981,886 | 1,802,899 | 1,143,774 | 893,969 | 776,175 |
| Issued bonds at current rate | 435,771 | 360,981 | 100,000 | 100,000 | 0 |
| Other liabilities etc. | 82,017 | 55,099 | 41,895 | 46,398 | 42,505 |
| Subordinated debt | 451,661 | 340,000 | 190,000 | 115,000 | 44,893 |
| Equity | 309,073 | 328,107 | 250,642 | 208,636 | 173,340 |
| Total liabilities | 4,788,325 | 4,478,709 | 2,760,036 | 1,673,207 | 1,204,877 |
| CONTINGENT LIABILITIES | | | | | |
| Guarantees | 2,259,648 | 2,287,518 | 1,436,709 | 1,207,839 | 800,824 |
| Other liabilities | 3,881 | 3,793 | 2,738 | 2,353 | 2,254 |
| Total contingent liabilities | 2,263,529 | 2,291,311 | 1,439,447 | 1,210,192 | 803,078 |

With reference to s. 150 (7) of the Danish Executive Order on the Presentation of Financial Statements, the comparative figures for 2004 have not been adjusted to the changed accounting policies as regards financial assets and financial liabilities.

* One-off expenses for the jubilee and relocation of headoffice etc.

Financial ratios

| Percent | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|-------|-------|-------|-------|-------|
| Solvency ratio and capital | | | | | |
| Solvency ratio | 13.0 | 12.1 | 10.9 | 12.5 | 11.3 |
| Indivuel solvency ratio | 7.9 | 7.8 | 8.2 | 7.6 | - |
| Core capital ratio | 6.5 | 6.7 | 7.9 | 10.9 | 11.0 |
| Earnings | | | | | |
| Return on equity before tax | -1.1 | 16.8 | 22.7 | 25.0 | 19.5 |
| Return on equity after tax | -0.7 | 12.7 | 17.7 | 18.3 | 14.9 |
| Earnings/cost ratio A) DKK | 0.97 | 1.64 | 1.85 | 2.01 | 1.61 |
| Market risk | | | | | |
| Interest rate risk | -3.7 | -0.8 | 1.2 | 0.1 | 4.0 |
| Foreign exchange position | 9.1 | 20.5 | 31.5 | 9.9 | 15.2 |
| Foreign exchange risk | 0.2 | 0.2 | 0.1 | 0.1 | 0.2 |
| Liquidity | | | | | |
| Lending plus write-downs of loans relative to deposits | 189.6 | 199.2 | 181.0 | 124.4 | 103.1 |
| Excess solvency relative to statutory requirement for liquidity | 130.3 | 30.5 | 49.5 | 64.1 | 57.5 |
| Credit risk | | | | | |
| Total large commitments relative to capital base | 199.5 | 188.0 | 213.9 | 168.7 | 198.0 |
| Share of debtors with reduced interest rate | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 |
| Accumulated impairment percentage | 0.8 | 0.3 | 0.6 | 1.1 | 2.1 |
| Impairment percentage for the year | 0.5 | 0.0 | -0.1 | -0.2 | 0.3 |
| Growth in lending for the year | 4.0 | 74.3 | 88.5 | 38.8 | 34.7 |
| Lending/equity ratio | 12.0 | 10.9 | 8.2 | 5.2 | 4.4 |
| Dividend yields | | | | | |
| Profit/loss for the year per share * DKK | -7.7 | 133.9 | 162.6 | 141.6 | 102.4 |
| Net asset value per share * DKK | 1.121 | 1.138 | 1.019 | 835 | 709 |
| Earnings per share * DKK | 0 | 12 | 12 | 12 | 12 |
| Listed price / profit/loss for the year per share * | -62.4 | 13.7 | 10.2 | 9.8 | 8.4 |
| Listed price / net asset value per share * | 0.43 | 1.61 | 1.62 | 1.66 | 1.21 |

Comments:

A) Earnings include net income from interest and charges, value adjustments, other ordinary income and profit/loss on shares in associates. Costs include expenses for staff and administration, other ordinary expenses and loss on/impairment of debtors.

The financial ratios have been prepared in accordance with the financial ratios model of the Danish Financial Supervisory Authority.

The comparative figures for the year 2004 have not been adjusted to the changed accounting policies.

*) per 100 DKK share

Board of Management

Board of Directors and Committee og Representatives:



Rasmus Juhl Rasmussen
Chairman



Jørn Sørensen
Deputy Chairman



Jørgen Balle
Board of Directors
and Committee of
Representatives



Esben Hammer
Board of Directors
and Committee of
Representatives



Gert Lopdrup Pedersen
Board of Directors
and Committee of
Representatives



Knud Erik Rasmussen
Board of Directors
and Committee of
Representatives



Per Enevoldsen
Board of Directors
(electet by the
employees)



Kirsten Majgaard
Board of Directors
(electet by the
employees)



Hanne Pedersen
Board of Directors
(electet by the
employees)



Anders Balle
Committee of
Representatives



Erik Bredholt
Committee of
Representatives



Hans Jørgen Broge
Committee of
Representatives



Morten Christensen
Committee of
Representatives



Sten Ejsing
Committee of
Representatives



Gert Elgaard
Committee of
Representatives



Poul Fisker
Committee of
Representatives



Carsten Gadeberg
Committee of
Representatives



Ejvind Jørgensen
Committee of
Representatives



John Kragh
Committee of
Representatives



Carsten Laursen
Committee of
Representatives



Haakon Lyngaae
Committee of
Representatives



Hans Petersen
Committee of
Representatives



Jan Rasmussen
Committee of
Representatives



Gitte Rørbæk-Løcke
Committee of
Representatives



Anne Qvist Nielsen Sagild
Committee of
Representatives

Board of Management:



Per Hermansen
Chief Executive Officer



Henning Bertelsen
Branch Director



Dagmar Bæk
Branch Manager



Bjarne Fries
Head of credit Dept



Svend Erik Hansen
Head of Agriculture
Dept.



Henning Jensen
Head of
Administration



Claus Kjær
Branch Director



Claus Lauenborg
Head of Market Dept.



Ole Lønsmann
Deputive Executive
officer



Carsten Stenulm
Deputive Executive
Officer

Management's review

In 2008, Aarhus Lokalbanc realised a loss before tax of DKK 3.5 million (2007: a profit of DKK 48.6 million). It has been an unusual year characterised by the international financial crisis and difficult market conditions affecting the results of the bank, which are considered unsatisfactory.

In general, the crisis resulted in difficult business conditions, plummeting share prices and accelerating decline in economic growth rates. The crisis led to bankruptcies and collapses in the financial sector both nationally and internationally. This naturally had an impact on the global as well as the national financial system leading to increasing lack of confidence and frozen money markets.

As a consequence, gigantic rescue packages were adopted to restore financial stability. In Denmark, a state guarantee scheme was adopted and new borrowing facilities were established in the Central Bank of Denmark. Because of the state guarantee all deposits and simple claims in Danish banks are covered up to September 30, 2010. Aarhus Lokalbanc joined the scheme together with 132 other Danish banks.

Over this period, the bank's payment will amount to approx. DKK 40 million; to this should be added any additional payments in the event that banks become financially distressed during this period of time. The maximum payment potentially payable by the bank will be around DKK 100 million. The total expense charged to the bank for 2008 amounts to approx. DKK 9 million.

Background for the results

Loans, advances and debtors increase by 4.0% to DKK 3,712 million. Guarantees decrease by 1.2% to DKK 2,260 million. Deposits increase by 9.9% to DKK 1,982 million. The growth, computed as a total increase of 3.8%, is attributable to a considerable increase in the number of customers, corresponding to approx. 13%. At the end of the year, loans, advances and guarantees were affected by extraordinary large refinancing of loans among the customers of the bank.

Market value adjustments of DKK 11.7 million were realised on the bank's portfolio of securities and foreign exchange reserves compared to a profit of DKK 3.8 million in 2007. Market value and exchange rate adjustments include an extra payment from the bank's sale of shares in Totalkredit of DKK 6 million.

Due to the turbulent financial markets and the drastic shift in market conditions, total impairment on loans, advances and guarantees amount to DKK 30.9 million. Final losses realised during the year represent DKK 6.4 million hereof. Due to the financial recession, the calculation of charges on the exposures involves a higher degree of uncertainty in 2008 than in previous years. Costs increased by 28.9% due to an increasing number of employees and increased administrative expenses. Furthermore, costs incurred during the year regarding the relocation of the bank's head office and its 100-year anniversary celebrations amount to approx. DKK 8 million.

Profit and loss account

The bank's net income from interest and charges amount to DKK 143.2 million – an increase of 18.6% – quite a satisfactory trend in the light of the very difficult situation prevailing in the financial markets.

Staff costs and administrative expenses increase by DKK 20.5 million corresponding to 27.2%. During the year, 13 new employees (net) have been employed meaning that the bank has a total staff of 105 people (equal to 96 full-time employees). DKK 8 million of the total cost increase for the year of DKK 20.5 million can be classified as extraordinary costs. Depreciation/amortisation and write-downs on intangible and tangible assets amount to DKK 2.8 million against DKK 2.1 million in 2007. Payment to the state guarantee scheme is recognised at DKK 5.5 million;

to which should be added payment to financially distressed banks of DKK 3.7 which is recognised in the item impairment on loans, etc.

Balance sheet

The balance sheet totals DKK 4.8 billion (2007: DKK 4.5 billion). The total business volume is now DKK 8.0 billion; corresponding to an increase of 3.8%.

During the year, the bank's loans for financing of properties, purchased by various bank customers, were reduced through refinancing. A development which is expected to continue in 2009.

Equity

The equity of the bank was reduced by DKK 19.0 million based on paid dividends of DKK 3.6 million, net acquisition of treasury shares of DKK 13.1 million and loss for the year of DKK 2.3 million. Equity now amounts to DKK 309.1 million.

Subordinated debt increased by DKK 111 million to DKK 451.6 million. The total capital base then amounts to DKK 761 million (2007: DKK 668 million) representing 15% of the risk-weighted items.

Dividends

In accordance with the principles of the state guarantee scheme, the bank does not pay dividends during the guarantee period and therefore no dividends will be distributed for 2008.

The Aarhus Lokalbanc share

Movements in the market price of the bank's shares throughout 2008 lead to a negative return of 72.2%. Over the year, the share price fell from 180 to 48. Today, the bank has 6,904 shareholders and none of the shareholders hold more than 5% of the share capital. The net asset value of an Aarhus Lokalbanc share may, based on equity at year end 2008, be calculated at 112. The large decline in the share price in 2008 is similar to the general decline in share prices among banks listed on the stock exchange and reflects the uncertain and difficult market conditions prevailing in the financial sector. The total market value of the bank at year end 2008 is DKK 144 million. The market value/net asset value ratio is computed at 0.4 at year end 2008.

The solvency of the bank

The solvency ratio is calculated at 13.0% (2007:12.1%) compared to the statutory requirement of 8%.

The core capital ratio is calculated at 6.5% (2007: 6.7%)

The bank's management has set a minimum solvency ratio at 10%.

The liquidity of the bank

The statutory liquidity requirement has been exceeded by 130%.

The bank's management has set a minimum liquidity ratio at twice the statutory requirement with respect to both the 15%-requirement and the 10%-requirement stated in Section 152 of the Danish Financial Business Act.

The 15%-requirement is met by surplus liquidity of 408% and the 10%-requirement is met by surplus liquidity of 130%, corresponding to DKK 828 million.

The bank has been granted a loan facility in the Central Bank of Denmark amounting to DKK 193 million based on statutory capital adequacy. So far it has not been necessary to draw on this facility.

State-funded capital injections

On February 3 2009, the Danish Parliament, Folketinget, passed a new act according to which Danish banks that comply with the statutory solvency requirement can apply to the state for a subordinated loan. Although the bank has a satisfactory solvency ratio of 13.0%, expectations are that by participating the bank will be able to obtain a subordinated loan of approx.

DKK 240 million. As a basis, the subordinated loan will carry an individually determined interest of 9-11.25 pct p.a. Obtaining the subordinated loan will further strengthen the bank's capital base to counter the potential losses that may be incurred as a result of the coming recession period. The solvency ratio of the bank will then range between 19-21%. At the coming general meeting, a motion will be proposed for authorisation to obtain state-funded capital injection and the changes required in the articles of association in relation hereto. As the state-funded capital injection is expected to represent more than 35% of the bank's core capital, changes in the articles of association will be proposed according to which the existing limitations on voting rights and ownership will conditionally cease to apply in the event that the state-funded capital injection is later converted into share capital.

Employee shares – bonus schemes – incentive schemes

As announced in the annual reports 2005, 2006 and 2007, a bonus scheme was introduced for the employees of the bank for the financial years 2005-2007 based on Section 7a (1) no. 2 of the Danish Tax Assessment Act. As stated in the annual report for 2007, the bonus scheme was prolonged by a new three-year period based on the bank's budget for 2008 laying down the new objectives. The maximum amount of shares that can be granted to each employee per year in the event that all objectives are fulfilled now amounts to DKK 22,000. However, if the bank does not realise a total profit, the bonus amounts will not be allotted.

To strengthen and retain the management team of the bank and safeguard the competencies and values of this team, an executive incentive scheme was introduced with effect from the financial year 2006 through which they could purchase shares in the bank at market terms. As part of the agreement, mutual agreements were concluded regarding extended notices of termination. The management team acquired shares for a market price of approx. DKK 18 million in 2006 and 2007. As previously mentioned in the annual reports of the bank, whether the participants in the incentive scheme receive any return will depend on the future development in the market price of the bank's share. As the value of the bank's shares has decreased in recent years, the total current market value is now less than the total loan amount in the bank in relation to the scheme. Therefore, the bank has made an impairment charge. In the event of future increases in the market value of the bank's share, the charge made can be recognised as income, whereas an additional decline in the share price may lead to additional charges.

Related party transactions

There have been no transactions in 2008 between Aarhus Lokalbanc and the bank's related parties other than ordinary payments and usual bank transactions.

Outlook for 2009

The budget for 2009 is based on expectations of limited growth in the business volume due to the weak market trends and recession period by which we are likely to be influenced. A continued positive trend is expected in the bank's core earnings, a combination of increasing income from interest and charges and a minor decrease in costs. The bank budgets for moderate positive market value adjustments of the bank's securities and foreign exchange reserves.

Impairment on loans and advances are budgeted at the same level as the one realised in 2008, but due to the financial crisis and recession the bank's future impairment on commitments involves a higher degree of uncertainty. The total business volume is expected to be realised at an unchanged level with slightly decreasing lending, guarantees and increasing deposits. The bank's payments to the state guarantee scheme is recognised at DKK 20 million. The budget does not include any further payments to the state guarantee scheme in consequence of additional financially distressed banks.

All in all, a profit is expected before tax subject to considerable uncertainty as to the strength and duration of the financial recession and the turbulent financial markets.

Group relations

The bank holds the entire share capital of Center Finansiering A/S. Consolidated financial statements have not been prepared as the balance sheet and profit/loss of the subsidiary is insignificant in relative to the bank.

List of stock exchange announcements in 2008/2009.

| | |
|-------------------|---|
| January 23 2008 | Change in the bank's portfolio of treasury shares |
| January 31 2008 | Financial calendar for 2008 |
| February 14 2008 | Invitation to Annual General Meeting |
| February 19 2008 | Preliminary announcement of financial statements 2007 |
| March 5 2008 | Proceedings of the general meeting |
| March 6 2008 | Changed cooperation agreement with Totalkredit |
| March 7 2008 | Invitation to Extraordinary General Meeting |
| March 27 2008 | Proceedings of the extraordinary general meeting |
| April 17 2008 | Changes in the bank's portfolio of treasury shares |
| May 6 2008 | Repayment of subordinate capital |
| May 16 2008 | Quarterly announcement |
| May 19 2008 | Additional members of the Supervisory Board |
| May 19 2008 | Full subscription of subordinated notes |
| July 14 2008 | Profit forecast for interim financial statements. |
| August 12 2008 | Interim report |
| August 15 2008 | Share transactions of board members and executive employees |
| September 11 2008 | Share transactions of board members and executive employees |
| October 6 2008 | Aarhus Lokalbanc joins the new guarantee scheme |
| November 11 2008 | Quarterly announcement |
| December 11 2008 | New board members elected by the employees |
| December 11 2008 | Financial calendar for 2009 |
| December 23 2008 | Downward adjustment of anticipated profit for the year |
| February 9 2009 | Issue of new bonds |

Accounting policies

In compliance with the changed executive order on presentation of financial statements, the bank has reclassified certain bonds from held-for-sale to held-to-maturity investments as of July 1 2008.

The reclassification has improved the profit for the year by DKK 4.2 million before tax.

The accounting policies are otherwise unchanged compared to last year.

General meetings

The general meeting of the bank will be held in Scandinavian Congress Center, Aarhus, on March 14 2009 at 4 p.m.

Financial calendar 2009

| | |
|------------------|---------------------------------------|
| February 24 2009 | Publication of annual report for 2008 |
| March 14 2009 | Annual general meeting |
| May 15 2009 | Quarterly announcement for Q1 2009 |
| August 11 2009 | Interim Report 2009 |
| November 10 2009 | Quarterly announcement for Q1-Q3 2009 |

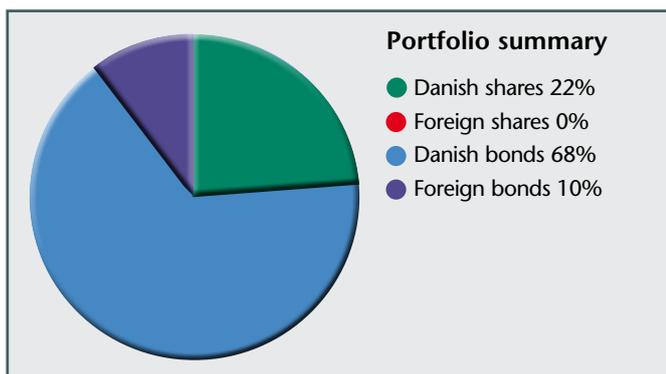
Policies and risk frameworks

For all of the bank's business areas, the business risk is thoroughly assessed and analysed before such a risk is entered into. The bank's board of directors has in writing determined the framework of e.g. market risks. The board of directors has determined the overall policies and risk frameworks that are acceptable for the different risk areas. Market risks are followed closely by continuous monitoring and reporting to the board of directors and the executive management, and in recent years the bank has invested considerable resources in this area.

Market risk

Market risk is defined as the risk of the value of the bank's assets and liabilities being affected by the market conditions. This could e.g. be changes in economic trends, in the share market and changes in exchange rate and interest conditions.

The bank's participation in customer businesses in the securities market and currency exchange market as well as the bank's allocation of its own cash flow involves daily changes in portfolios and thus in the consequent market risks of the bond and interest rate market, as well as changes in share prices and exchange rates.



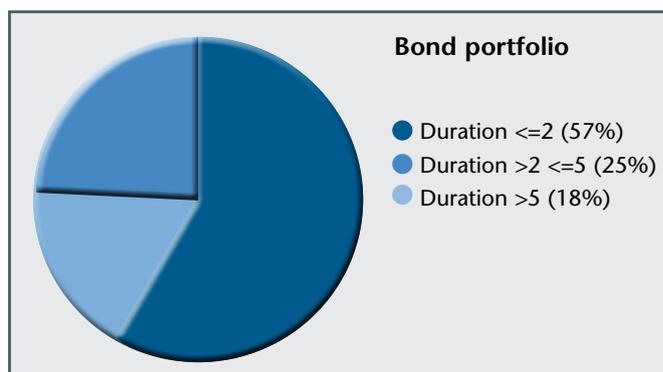
The portfolio distribution on security types for commercial portfolios as of December 31 2008.

Interest rate risk

The bank's positions on the bond and interest rate market, determined in consideration of the guidelines and deduction factors of the Danish Financial Supervisory Authority, means that the bank bears an interest rate risk. This risk is an expression of how large a loss the bank suffers on a general interest rate increase of one percentage point. The interest rate risk depends on the duration of the position; a longer duration implies a greater risk.

The bank's total interest rate risk, including items outside of the trading portfolio, e.g. mortgages, is as of December 31 2008 DKK -12.0 million, equivalent to -3.7% of the bank's core capital at the end of 2008.

The portfolio distribution on duration groups for commercial portfolios as of December 31 2008.



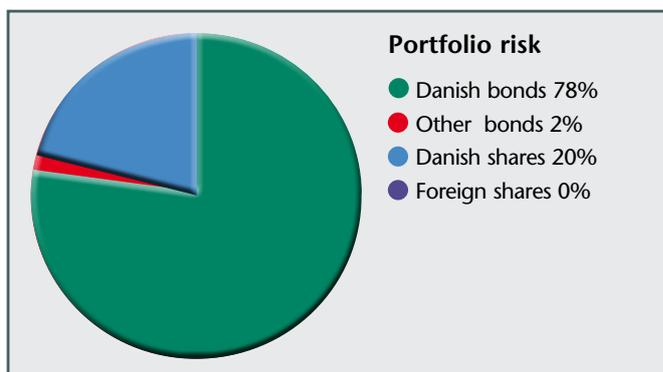
The bank's portfolio of items outside of the trading portfolio consists e.g. of a mortgage portfolio of DKK 10.4 million, which affects the total interest rate risk by DKK 1.2 million.

Other important items outside of the trading portfolio are the bank's liabilities on fixed-rate loans, which affects negatively to the bank's interest rate risk by DKK 8.0 million as well as the bank's issued hybrid core capital contributing negatively to the bank's interest rate risk by DKK 3.4 million.

If adjustments are made for items outside of the trading portfolio, the bank's total interest rate risk on commercial bonds is DKK 3.3 million as of December 31 2008, equivalent to 1.0% of the bank's core capital at the end of 2008.

Share price exposure

The bank uses 10% as risk parameters on Danish commercial shareholdings. The amount is included in the bank's internal assessments of the total market risk. In the case of foreign commercial shareholdings, 20% is used as risk parameter. The bank's total share price exposure on commercial portfolios as of December 31 2008 amounts to DKK 3.3 million, equivalent to 1.0% of the bank's core capital at the end of 2008. The amount is included in the bank's internal assessments of the total market risk.



Currency risk

The bank uses 5% as risk parameters on currency positions calculated according to a theoretical "foreign exchange indicator 1". EUR

positions are however adjusted to 1% due to the modest historical fluctuation band. As of December 31 2008, the amount comes to DKK 0.8 million, equivalent to 0.2% of the bank's core capital at the end of 2008. The amount is included in the bank's internal assessments of the total market risk.

Derivative financial instruments

The bank uses 10% as a risk parameter on derivative financial instruments such as swaps, forward exchange transactions, futures and options. In connection with the bank's own positions in forward exchange transactions in OECD currencies, 5% is used as risk parameter. The bank's total risk on derivative financial instruments as of December 31 2008 amounts to DKK 0.0 million.

Risk assessment

The framework of the bank's total market risk on commercial items was in 2008 fixed at 7% of the bank's core capital, equivalent of DKK 22.6 million at the end of 2008. Added to this was the exchange rate adjustment of commercial positions within the trading portfolio. Bonds with a maturity of up to 2 years are in terms of risk not included in the above named framework, which is why DKK 0.4 million may be deducted from the interest rate risk within the trading portfolio.

Assessed according the above named guidelines; the total market risk is as of December 31, 2008 calculated as DKK 7.0 million, equivalent to 2.2% of the bank's core capital at the end of 2008.

Liquidity risk

The liquidity risk is the risk of loss as a result of a disproportionate increase in the bank's finance costs or a lack of financing, which causes stagnation or a reduction of the business volume, or that the bank's payment obligations cannot be honoured by the bank's cash resources.

The bank has adopted a three-tier cash policy with an objective for the bank's cash flow both in the long and short run to ensure that the bank's cash flow is sufficient; not just from a legal point of view, but also based on the bank's internal risk assessments.

The bank's objective is to have an excess solvency on its cash flow, which is 100% above the minimum statutory requirements.

The bank's objective is that the free cash flow will be sufficient to cover the coming month's known cash flow requirements.

The bank's objective is that the bank's loans should be hedged with the total equity, supplementary capital, deposits and long term loans and advance commitments with a term of 12 month or more.

Assessment and monitoring of cash flow takes place on a daily basis and the executive board and the board of directors receive continuous reports in accordance with the guidelines in place.

Counterparty risk – Derivative financial instruments

The bank makes use of the market value method for counterparty risk to calculate the size of the exposure for derivative financial instruments, which are covered by the definition in the capital adequacy notification appendix 17.

The exposure value fixing under the market value method for counterparty risk follows from the method below:

- Contracts are calculated at market value to attain the actual replacement costs for all contracts with a positive value.
- To find a figure for the potential future credit exposure, the nominal value of the contract's principal amount or the underlying values are multiplied by percentage rates fixed by the Danish Financial Supervisory Authority. Swaps based on the two variable rates in the same currency are excepted from this, in so far as only the actual replacement costs must be calculated.
- The total of the actual replacement costs and the potential future credit exposure form the exposure value.

In connection with the institute's fixing of sufficient capital base, capital equivalent to 8 % of the positive market value of the derivatives is held.

Credit risk

The credit risk is defined as the risk of customers' payment obligations to the bank being estimated as unrecoverable due to certain customers' inability or unwillingness to pay in accordance within the agreed timeframe.

Aarhus Lokalbanc's credit policy uses the bank's mission as its starting point. This i.e. highlights that we should be able to identify and meet our customers' financial services requirements.

Credit risk management is carried out by means of the stipulated policies and procedures, where the board of directors of the bank have put frameworks in place to thereby ensure that the bank's lending is to customers, with a good income and equity which may generate a satisfactory profitability for the bank.

As a natural part of the credit policy, the bank makes available venture capital for projects, which we assess as sustainable and where the customers possess the necessary competence and which furthermore can help ensure a healthy and positive development in our market areas.

In general, we wish for a diversified credit granting, which ensures that we do not become vulnerable in connection with individual industries or customers. At the same time, we also assess the credit opportunities in credit granting to financially strong customers in all customer segments.

The credit policy is managed in accordance with socio-economic trends as well as the bank's operational development in both the short and long term.

Policies and risk frameworks

Following up and monitoring of all types of commitments are continuously carried out by the executive board and the credit department. Within the corporate customer area, the bank's primary target group is small and medium-sized companies within selected business segments such as manufacturing, the professions, trades, property financing, agriculture and retail.

Competent advice and confidence-inspiring cooperation are also a natural part of our credit policy, where we want:

- to provide credit granting to healthy companies and personal customers, where loans and credit grants are, as far as possible, fully collateralized.
- complete insight in customers' financial affairs with a starting point in a total customer relationship, so that the necessary and qualified basis for decision making can be obtained.
- delegation of loan-granting authority to the customer advisor who has knowledge of and cooperates with the customer.

Larger commitments are approved by the bank's executive board and board of directors.

The bank carries out a quarterly assessment of the need for individual impairment charges on all commitments in excess of DKK 100,000. The impairment charges are carried out after reporting from the customer advisor, subsequent to an assessment of the risk of loss arising from changes in the customer's ability to pay and/or willingness to pay.

Grouped impairment charges are carried out via a statistical model developed by the Association of Local Banks in Denmark, Savings Banks and Cooperative Banks in Denmark. The subsequent approval process is carried out by the bank in accordance with an assessment of own conditions.

All impairment charges support the bank's overall objective, which is that credit risks are hedged in a reassuring manner and that the total impairment charges are adequate.

At the same time that a commitment is written off wholly or partially, the equivalent impairment charges is also removed wholly or partially from the impairment charges account.

Commitments have their interest accrual discontinued when it is assessed that further accrual of interest will entail further losses.

For commitments where interest accrual has been discontinued, an amount corresponding to the full risk is written down.

The bank carries out ongoing following up of the written off receivables.

Operational risk

The operational risk is the risk that the bank may wholly or partially be forced to accept financial losses as a consequence of inadequate or inexpedient procedures, human errors, IT application errors or external effects.

Efforts are made to manage operational risk through policies, business practices and control measures, which are drawn up with a view to attaining a both secure and well-run environment. The operational risk is minimised by e.g. ensuring that the execution of activities is organisationally separated from the control of these same activities.

The bank has drawn up a policy and contingency plan for physical catastrophes and IT downtime. As a main rule, IT downtime leads to a breakdown of operations. If it is a case of a solitary breakdown at a branch, the business can be continued at the other branches. IT operation takes place at Bankdata. The bank carefully monitors the instructions and recommendations received from this source, just as the bank does not conduct its own development of IT applications.

According to the capital requirement rules, the bank is required to measure and recognise an amount for operational risks in the bank's solvency ratio calculation.

The bank employs the so-called basis indicator method, in which an amount is measured based upon a calculation of the average of the core income from the last three financial statements, which is then added to the risk-weighted assets. The core income is the total of the net interest income and non-related net income.

Corporate Governance

Danish listed companies must disclose in the annual report how they comply with the Committee on Corporate Governance's "Recommendations for Corporate Governance".

The management in Aarhus Lokalbanc has followed the preparation of the Recommendations for Corporate Governance with interest, and, since the first set of recommendations was published in December 2001, we have acted on the recommendations to the relevant extent.

We generally have a positive attitude to the recommendations, as the interaction between Aarhus Lokalbanc and our stakeholders (employees, customers, suppliers and local community) is a prerequisite for Aarhus Lokalbanc's continued positive development. As a local bank, we give particularly high priority to personal customer contact. Seeing that our business is based on meeting our customers' expectations for and confidence in the bank and as we aim to ensure that our customers feel secure in doing business with us, it is important that we take into consideration not only our shareholders, but also the wishes and requirements of our other stakeholders.

At the bank's website – www.aarhuslokalbank.dk – the bank's shareholders and other stakeholders may read more about Aarhus Lokalbanc's position to the recommendations. We comply with by far the majority of the recommendations, and, for the recommendations with which Aarhus Lokalbanc does not comply, we have given a detailed account of the reasons for this in accordance with the "follow or explain" principle stipulated in the recommendations. The Stock Exchange stresses in relation to the "follow or explain" principle that transparency about the companies' affairs is the essential element and that it is up to the individual company to evaluate the extent to which it intends to comply with the recommendations or whether the company in question finds that this is not expedient or desirable in relation to its business activities.

The recommendations are divided into the following 8 principal sections:

- The shareholders' role and interaction with the management
- The stakeholders' role and significance to the company
- Openness and transparency
- The Board of Directors' duties and responsibilities
- The composition of the Board of Directors
- Remuneration to the Board of Directors and the Executive Management
- Risk management
- Auditing

The recommendations supplement the rules that apply to listed companies, the rules on the management of companies that are found in company legislation and the legislation on financial activities that applies to banks – the Danish Financial Business Act.



Investor relations

Kursudvikling Aarhus Lokalbank:

OMX C20 aktieindeks

Aarhus Lokalbank



Kilde: Reuters.

The above graph shows the actual development of the Aarhus Lokalbank share from the end of 2004, compared with the development of the OMX C20 share index (the 20 biggest companies quoted in Copenhagen) for the same period.

Yield per year including dividend, the Aarhus Lokalbank share:

| 2004 | 2005 | 2006 | 2007 | 2008 |
|-------|-------|-------|-------|--------|
| 27.9% | 62.1% | 20.4% | 20.3% | -72.2% |

The yield is calculated including the dividend distributed. Figures are historical and past returns can not be used as a reliable indicator of future returns.

The composition of Aarhus Lokalbank shareholders.

| Shareholder groups: | Number of shareholders: | Number of shares* |
|-----------------------|-------------------------|-------------------|
| | 2008 | 2008 |
| 1 – 100 shares | 3,624 | 119,040 |
| 101 – 500 shares | 2,050 | 465,170 |
| 501 – 1,000 shares | 605 | 427,646 |
| 1.001 – 5,000 shares | 578 | 1,016,646 |
| 5.001 – 10,000 shares | 26 | 168,956 |
| Over 10,000 shares | 21 | 783,024 |
| | 6,904 | 2,980,482 |

* 19,518 shares are ultimo 2008 not registered and consequently not included in the above statement.

Signatures and Statements

Statement by the Board of Directors and the Executive Management on the Annual Report

The Board of Directors and the Executive Management have today reviewed and approved the Annual Report of Aarhus Lokalbanc Aktieselskab for the 2008 financial year.

The Annual Report has been prepared in accordance with the Danish Financial Business Act (Lov om finansiel virksomhed) and additional Danish disclosure requirements for the annual reports of listed financial institutions. In our opinion, the accounting policies applied are expedient, and the accounting estimates made are reasonable and fair.

Furthermore, in our opinion, the overall presentation of the annual report gives a true and fair view of the bank. We therefore believe that the annual report gives a true and fair view of the bank's assets, liabilities and financial position and of the results of its operations and cash flows.

Furthermore, we believe that the Management's review gives a true and fair view of the development in the bank's operations and financial affairs as well as the most significant risks and elements of uncertainty which may affect the bank.

The Annual Report is presented to the general meeting for approval.

Aarhus, February 24 2009

Executive Management:

Per Hermansen - Chief Executive Officer

Board of Directors:

Rasmus Juhl Rasmussen - Chairman

Jørn Sørensen - Vice-Chairman

Per Enevoldsen

Esben Hammer

Gert L. Pedersen

Knud Erik Rasmussen

Jørgen Balle

Kirsten Majgaard Basse

Hanne Pedersen

Independent auditors' report:

the shareholders of Aarhus Lokalbanc Aktieselskab

We have audited the Annual Report of Aarhus Lokalbanc Aktieselskab for the financial year January 1 - December 31 2008, comprising the statement by the Board of Directors and Management Board, Management's review, accounting policies, profit and loss account, balance sheet, cash flow statement and notes. The Annual Report is presented in accordance with the Danish Financial Business Act and in accordance with additional disclosure requirements for annual reports of listed financial institutions.

Management's responsibility for the Annual Report

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

Auditors' responsibility and basis of opinion

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

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

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

Our audit did not result in any qualification.

Opinion

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

Aarhus, February 24 2009

KPMG

Statsautoriseret Revisionspartnerselskab

Jakob Nyborg
State Authorised Public Accountant

Henrik Pungvig Jensen
State Authorised Public Accountant

Accounting policies

The annual report for 2008 has been prepared in accordance with the Danish Financial Business Act and the executive order on the financial reports of credit institutions issued by the Danish Financial Supervisory Authority. Furthermore, the annual report has been prepared in accordance with further Danish disclosure requirements for annual reports presented by listed financial companies. The rules for preparing the financial statements were altered markedly in 2005. In accordance with the transitional provisions in the Danish executive order on the Presentation of Financial Statements, the comparative figures for 2004 in "Five years in figures" and "Financial ratios" have not been adjusted to the altered accounting policies.

The annual report has been prepared in accordance with the same accounting policies as last year, except the following modification.

The Bank has reclassified a portfolio of bonds from the trading portfolio to hold to maturity investments. Hold to maturity investments include bonds that are purchased in order to earn a return over the period to maturity. Hold to maturity investments are measured at amortized cost. Reclassification means that the bonds fair value as of July 1 2008 at 95,878 tDKK is used at amortized cost. The result effect before tax of reclassifications represents an improvement of 4,229 tDKK. As of 31.12.2008 provides the amortized cost of bonds 96,310 tDKK, of which 41,100 tDKK is recognized in the balance sheet as loans and other receivables.

Recognition and measurement in general

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the bank and the value of the asset can be reliably measured. Liabilities are recognised in the balance sheet when they are likely and can be reliably measured. On first recognition, assets and liabilities are measured at fair value. Subsequently, assets and liabilities are measured as described for each individual item.

The purchase and sale of financial instruments are recognised on the trade date.

Accounting estimates

In connection with the calculation of the accounting value of certain assets and liabilities, an estimate of how future events will affect the value of these assets and liabilities on the balance sheet day is required.

The estimates made are based on assumptions which the management considers reasonable, but which are of course uncertain. For impairment on loans and receivables, there are significant estimates linked to the quantification of the risk of not all future payments being met.

If we are able to establish that not all future payments will be met, significant estimates are also associated with determining the size of the estimated payments, including realisation values of securities and expected dividend payments from estates.

The estimates made are based on assumptions which the management considers reasonable. The assumptions are however in this case uncertain and are characterised by their unpredictability. Furthermore, the bank is affected by risks and uncertainties that may lead to actual results deviating from the estimates.

Foreign currency translation

Foreign currency transactions are converted upon initial recognition at the transaction date currency rate. Balances in foreign currencies, which have not been settled on the balance sheet day, are converted at the closing price at the end of the financial year.

The profit and loss account

Interests, fees and commissions etc.

Total interest income and expenses together with current commissions are accrued within the financial year. Fee and commission income, which forms an

integrated part of a loan's effective return, is accrued over the expected term of the loan and is recognised as interest income. Other fees and commissions etc. are recognised on the date of maturity and are itemised under fee and commission income.

Dividends

Dividends are recognised at the time of distribution.

Other operating income

Other ordinary income is comprised of results arising from the operation of the bank's property together with profit from the sale of assets.

Staff and administration costs

Staff and administration costs consist of payroll costs, operation of the bank's IT systems, office supplies and marketing etc.

Bonus programme costs are recognised in the profit and loss account in the financial year, to which the cost can be attributed.

Provisions for staff liabilities connected with anniversary bonuses are made based upon previous experience and are recognised in the profit and loss account in accordance with employees' performance that provide these entitlements.

Pension plans

The bank has entered into defined contribution plans with all employees. The bank pays fixed contributions to an independent pension fund and the bank is not obligated to make further contributions.

Result of equity investments in affiliated companies

The result of equity investments amounts to the accounting result after tax in the bank's subsidiaries.

Tax

Tax for the year, which consists of the year's current tax and the change in deferred tax, is recognised in the profit and loss account for the share attributable to the profit and loss for the year, and directly in equity for the share attributable to items relating directly to equity.

Current tax liabilities and current tax receivable are recognised in the balance sheet as calculated tax on taxable income for the year, adjusted for tax paid on account. Deferred tax is recognised with all temporary differences between the carrying values and tax values of assets and liabilities. The bank is taxed jointly with its subsidiary Centerfinansiering A/S. Current tax is apportioned between the jointly taxed companies relative to their taxable incomes.

The balance sheet

Loans and other receivables

Loans are initially recognised at fair value and are subsequently measured at amortised cost, including fees and commissions, which are an integrated part of the effective interest rate and which are recognised as interest income during the term of the loan.

Should there be an objective indication of impairment of a loan/receivable, and should the event or events in question have an effect on the size of the estimated payments arising from the loan, and can these be reliably measured, then an individual impairment will be carried out. The impairment is carried out on the difference between the carrying amount prior to the impairment and the present value of the estimated payments arising from the loan. The bank reviews all commitments in excess of DKK 100.000. For loans and other receivables, which are not individually impaired, a group assessment is carried out as to whether an objective indication of impairment has taken place for the group.

The group assessment is carried out on loan and receivable groups carrying uniform credit risk characteristics. The bank operates with 11 groups consisting of 1 group of public authorities, 1 group of personal customers and 9 groups of corporate customers, as corporate customers are subdivided into groups according to industry.

The group assessment is carried out using a segmentation model developed by the Association of Local Banks in Denmark, Savings Banks and Cooperative Banks in Denmark, who also conduct ongoing maintenance and development. The segmentation model establishes the correlation in the individual groups between recognised losses and a number of significant explanatory macroeconomic variables using a linear regression analysis. Included in the explanatory macroeconomic variables are unemployment, housing prices, interest rates, number of bankruptcies/foreclosures etc.

The macroeconomic segmentation model employs a starting point calculated on information on losses for the whole of the financial institute sector. The bank's assessment is that the estimates produced by the model correspond to its own conditions.

The model's estimate forms the background for the calculation of the grouped impairment. Impairment on loans are carried in an allowance account, which is offset under loans. Mortgages are recognised at cost. Write-down to market value is carried out in cases where this is lower.

Securities

Bonds, shares and financial instruments listed on the NASDAQ OMX Copenhagen A/S Exchange or foreign exchanges, are measured at fair value in accordance with the closing price on the balance sheet day.

For bonds acquired in order to earn a return over the period to maturity (hold to maturity), are measured at amortized cost. Subsequent appreciation / depreciation of the amortized cost is recognized in income as interest income and interest expense. If there is objective identifications that the bond can not be redeemed to the redemption price at maturity, the securities will be assessed according to the rules of lending. Any impairment is recognized under impairment on loans and receivables, etc.

Aarhus Lokalbanc has in cooperation with other financial institutions acquired shares in a number of sector companies. The objective of these sector companies is to support financial institutes' business in areas such as mortgage finance, payment services, IT, investment schemes etc. Aarhus Lokalbanc has no plans to sell these shares as it views partaking in these sector companies as being a necessary element in the operation of a local financial institute. The shares are therefore viewed as falling outside of the trading portfolio.

In a number of the sector companies, shares are distributed such that financial institutes' ownership share mirrors the individual financial institute's business volume with the sector company. Distribution is typically conducted based upon the sector company's equity value. Based upon this, Aarhus Lokalbanc adjusts the book value of these shares either quarterly, semi-annually or annually, depending on the frequency of new information from the individual sector company. Adjustments are booked on an ongoing basis in accordance with the rules governing the profit and loss account.

Other unlisted securities are recognised at fair value.

Equity investments in affiliated companies

Shares in the bank's subsidiary are recognised under the equity method, which means that the equity investment is recognised under the company's equity value. As the activities carried out by subsidiary are insignificant in relation to the bank, consolidated accounts are not prepared.

Tangible fixed assets

Upon initial recognition, owner-occupied properties are measured at revalued amount. Revaluation is conducted so often, that significant discrepancies with regard to the fair value do not arise. Increases in the revaluation of owner-occupied properties are recognised as revaluation reserves under equity. Decreases in value are recognised in the profit and loss account, unless these concern retransfers of previously performed revaluations. Straight line depreciation of owner-occupied properties is carried out, based upon

the expected residual value of properties over an anticipated service life in excess of 50 years. Operating equipment covers IT equipment, inventory and vehicles, which are recognised at cost with depreciation deductions. Straight line depreciation is calculated over the service life of the assets. The following depreciation profiles have been employed:

- IT equipment 3 years
- Inventory 3-5 years
- Vehicles 5 years

A straight line depreciation of leasehold improvement expenses is carried out over 5 years.

Other assets

Other assets include interest receivable and commissions as well as positive market value of derivative financial instruments.

Treasury shares

Acquisition and disposal fees on the purchase and sale of treasury shares are recognized directly in equity.

Provisions

Provisions comprise mainly of guarantees and provisions for losses on irrevocable credit commitments and legal proceedings, etc.. A provision for a guarantee or an irrevocable credit is included, if it is probable that the guarantee or credit will be effected and the amount of the obligation can be measured reliably. Provisions are based on management's best estimate of this liability.

Other liabilities

Other liabilities include interest due, a negative market value of financial instruments and outstanding employee benefits.

Guarantees

Bank guarantees are stated in the note "contingent liabilities". The guarantees will be continuously reviewed and evaluated to identify whether there are objective indication that there has been impairment.

Balances in foreign currencies

Foreign currency receivables and debts are converted according to the Danish National Bank's official currency rates at the end of the year. Income and expenses in foreign currencies are converted according to the exchange rate on the transaction time.

Derivative financial instruments

Forward transactions and other financial instruments are measured at fair value. Derivative financial instruments are recognised as other assets or liabilities. Changes to the fair value of derivative financial instruments are recognised in the profit and loss account together with changes to the value of the hedged asset or the hedged liability. Other changes are recognised in the profit and loss account as financial items.

State guarantee

The Bank participates in state guarantee scheme, which runs to September 30 2010. Guarantee commission is recognized in the profit-loss account over the guarantee period and is booked under other operating expenses. The Bank's commitment to cover any losses under the scheme is recognized as a provision when it is probable and can be measured reliably. Such amounts are recognized in the profit and loss account under impairment on loans and receivables, etc.

Cash Flow Statement

The cash flow statement for the bank established under the indirect method based on net profit before tax and show the bank's cash flows from operating, investing and financing activities and net change in cash.

Cash and cash equivalents consist of cash and demand deposits with central banks and receivables from credit institutions and central banks with an origi-

Profit and loss account

| <i>DKK 1,000</i> | | 2008 | 2007 |
|--|---|----------------|----------------|
| Interest income | 1 | 305,837 | 208,072 |
| Interest expense | 2 | 204,670 | 128,179 |
| Net interest income | | 101,167 | 79,893 |
| Dividends from shares, etc. | | 3,669 | 2,227 |
| Fees and commission income | 3 | 42,637 | 41,033 |
| Fees and commission expenses | | 4,259 | 2,388 |
| Net interest and fee income | | 143,214 | 120,765 |
| Market value adjustments | 4 | -11,746 | 3,841 |
| Other operating income | | 0 | 63 |
| Staff costs and administrative expenses | 5 | 95,785 | 75,280 |
| Amortisation, depreciation and write-downs | | 2,753 | 2,136 |
| Other operating expenses | 6 | 5,552 | 0 |
| Impairment of loans and advances etc. | 7 | 30,866 | -1,397 |
| Income from associated and subsidiary undertakings | | 8 | 0 |
| Profit before tax | | -3,480 | 48,650 |
| Tax | 8 | -1,173 | 11,838 |
| Net profit for the year | | -2,307 | 36,812 |
| Proposed distribution of profit | | | |
| Dividend | | 0 | 3,600 |
| Transferred to equity | | -2,307 | 33,212 |
| Total amount available for distribution | | -2,307 | 36,812 |

Balance sheet

| DKK 1,000 | | 2008 | 2007 |
|---|----|------------------|------------------|
| ASSETS | | | |
| Cash at hand and demand deposits with central banks | | 19,723 | 202,811 |
| Due from credit institutions and central banks | 9 | 703,239 | 274,432 |
| Loans and other amounts due at amortised cost | 10 | 3,712,604 | 3,571,376 |
| Bonds at fair value | 11 | 69,545 | 226,183 |
| Bonds at amortised cost | 11 | 52,580 | 0 |
| Shares, etc. | 12 | 138,047 | 117,187 |
| Holdings in subsidiary undertakings | 13 | 1,241 | 1,233 |
| Total land and buildings | 14 | 51,022 | 46,961 |
| Other tangible assets | 14 | 8,012 | 3,853 |
| Actual tax assets | | 4,203 | 0 |
| Deferred tax assets | 8 | 11,621 | 4,956 |
| Other assets | | 16,488 | 29,717 |
| Total assets | | 4,788,325 | 4,478,709 |
| LIABILITIES AND EQUITY | | | |
| Debt: | | | |
| Due to credit institutions and central banks | 15 | 1,527,917 | 1,591,623 |
| Deposits and other debts | 16 | 1,981,886 | 1,802,899 |
| Issued bonds at amortised cost prices | 17 | 435,771 | 360,981 |
| Current tax liabilities | | 0 | 2,249 |
| Other liabilities | | 78,646 | 52,314 |
| Deferred income | | 447 | 536 |
| Total Debt | | 4,024,667 | 3,810,602 |
| Provisions for liabilities: | | | |
| Provisions for losses on guarantees | 18 | 2,924 | 0 |
| Total provisions for liabilities | | 2,924 | 0 |
| Subordinated debt: | | | |
| Subordinated debt | 19 | 451,661 | 340,000 |
| Shareholders' equity: | | | |
| Share capital | 20 | 30,000 | 30,000 |
| Share premium account | | 67,370 | 67,370 |
| Accumulated value changes: | | | |
| Revaluation reserve | | 6,750 | 6,750 |
| Other reserves: | | | |
| Other reserves: | | 230 | 222 |
| Profit brought forward | | 204,723 | 220,165 |
| Proposed dividend | | 0 | 3,600 |
| Total shareholders' equity | | 309,073 | 328,107 |
| Total liabilities and equity | | 4,788,325 | 4,478,709 |

Statement of capital, liquidity and own shares

| DKK 1,000 | 2008 | 2007 |
|--|----------------|----------------|
| Change in shareholders' equity | | |
| Share capital as of January 1 | 30,000 | 25,000 |
| New paid-in capital | 0 | 2,500 |
| Bonus shares | 0 | 2,500 |
| Share capital as of December 31 | 30,000 | 30,000 |
| Premium on issuance of share capital as of January 1 | 67,370 | 19,329 |
| Increase in premium | 0 | 48,041 |
| Premium on issuance of share capital as of December 31 | 67,370 | 67,370 |
| Revaluation reserves as of January 1 | 6,750 | 0 |
| Increase in the year | 0 | 6,750 |
| Revaluation reserves as of December 31 | 6,750 | 6,750 |
| Other reserves as of January 1 | 222 | 221 |
| Decrease in the year | 8 | 0 |
| Other reserves as of December 31 | 230 | 221 |
| Retained earnings as of January 1 | 223,765 | 206,091 |
| Profit for the year | -2,307 | 36,813 |
| Sale of own shares | 18,740 | 59,386 |
| Purchase of own shares | -36,195 | -75,833 |
| Dividends paid | -3,600 | -3,000 |
| Other addition | 4,320 | 309 |
| Retained earnings as of December 31 | 204,723 | 223,766 |
| Shareholders equity as of December 31 | 309,073 | 328,107 |
| Proposed dividends | 0 | 3,600 |
| Capital base | | |
| Shareholders' equity | 309,073 | 328,107 |
| - Revaluation reserves | -6,750 | -6,750 |
| Core capital | 302,323 | 321,357 |
| - Proposed dividends | 0 | -3,600 |
| - Deferred tax assets | -11,621 | -4,956 |
| Core (tier 1) capital, excluding hybrid core capital | 290,702 | 312,801 |
| Hybrid core capital | 50,000 | 50,000 |
| Core (tier1) capital after deductions | 340,702 | 362,801 |
| - Sum of statutory deductions - under Section 131 (2,2) of the Danish Financial Business Act | -17,227 | -6,785 |
| Core (tier 1) capital incl. Hybrid capital after deductions | 323,475 | 356,016 |
| Subordinated debt | 400,000 | 290,000 |
| Subordinated debt less exceeding Core capital incl. Hybrid capital after deductions | -66,049 | 0 |
| Revaluation reserves | 6,750 | 6,750 |
| - Sum of statutory deductions - under Section 139 (1,3) of the Danish Financial Business Act | -17,227 | -6,785 |
| Capital base | 646,949 | 645,981 |

DKK 1,000

2008

2007

Capital Adequacy Statement:

The statement complies with the capital requirements of the Danish Financial Business Act.

The Bank has used the following methods in the statement as of December 31 2008

| | |
|---|------------------------|
| Credit risk excl. the trading portfolio | Standard method |
| Counterpart risk | Market value method |
| Credit risk reducing method | |
| - financial securities | Extended method |
| Market risk | Standard method |
| Operational risk | Basic indicator method |

Risk adjusted items:

| | | |
|---|-----------|-----------|
| Adjusted items with credit and counterpart risk | 4,406,113 | 4,722,733 |
| Adjusted items with market risk | 357,402 | 422,211 |
| Adjusted items with operational risk | 208,623 | 179,265 |
| - group adjustments impairments | -3,824 | -2,064 |

| | | |
|----------------------------------|------------------|------------------|
| Total risk adjusted items | 4,968,314 | 5,322,145 |
|----------------------------------|------------------|------------------|

| | | |
|---|---------|---------|
| Capital base | 646,949 | 645,981 |
| Core capital incl. hybrid capital | 323,475 | 356,016 |
| Solvency ratio (FIL § 124): capital base/risk adjusted items, % | 13.0 | 12.1 |
| Core capital incl. hybrid capital/risk adjusted items, % | 6.5 | 6.7 |
| Statutory capital requirement (FIL§ 124) | 37,253 | 37,283 |

Liquidity

| | | |
|--|-----------|-----------|
| Total liabilities | 4,788,325 | 4,478,708 |
| Guarantees | 2,259,648 | 2,287,519 |
| - shareholders' equity | -309,073 | -328,108 |
| - subordinated capital, included in the base capital | -383,952 | -340,000 |

| | | |
|---|------------------|------------------|
| Risk adjusted debt and guarantee liabilities | 6,354,948 | 6,098,119 |
|---|------------------|------------------|

| | | |
|--|----------------|----------------|
| 10% of risk adjusted debt and guarantee liabilities | 635,495 | 609,812 |
|--|----------------|----------------|

In compliance with the statutory requirement:

| | | |
|--|---------|---------|
| Cash | 7,865 | 8,719 |
| Deposits with Central Banks | 11,857 | 194,092 |
| Deposits with Credit Institutions | 188,951 | 17,213 |
| Certificates of deposit with Central Banks | 499,842 | 249,794 |
| Tradable bonds and shares | 196,237 | 284,568 |
| Other tradable assets | 558,105 | 41,174 |

| | | |
|----------------------------|------------------|----------------|
| Total liquid assets | 1,462,857 | 795,560 |
|----------------------------|------------------|----------------|

| | | |
|-------------------------------------|------------|-----------|
| Excess liquidity coverage, % | 130 | 30 |
|-------------------------------------|------------|-----------|

The Bank's portfolio of own shares:

| | | |
|--------------------------------------|---------|---------|
| Number of own shares | 243,286 | 117,608 |
| Face value | 2,433 | 1,176 |
| Own shares of total share capital, % | 8.11 | 3.92 |

Purchase and sale of own shares during the fiscal year:
During normal trading with the Bank's customers:

| | | |
|---|---------|---------|
| Number of shares bought | 260,757 | 362,935 |
| Number of shares sold | 135,079 | 286,167 |
| Face value of total purchase | 2,608 | 3,629 |
| Face value of total sale | 1,351 | 2,862 |
| Total value of purchase | 36,195 | 75,833 |
| Total value of sale | 18,740 | 59,386 |
| Total purchase to share capital at yearend, % | 8.7 | 12.1 |
| Total sale to share capital at yearend, % | 4.5 | 9.5 |

Cash flow statement

| <i>DKK 1,000</i> | 2008 | 2007 |
|---|----------------|----------------|
| Profit for the year before tax | -3,480 | 48,650 |
| Amortisation and impairment on loans and debtors, etc. | 30,866 | -1,397 |
| Depreciation of tangible and intangible assets | 2,753 | 2,136 |
| Unrealised market value adjustments of equity investments | -8 | 0 |
| Unrealised market value adjustments of securities | 16,310 | 9,581 |
| Other items with no effect on cash flows | 1,981 | 745 |
| Net tax paid | -7,539 | -4,846 |
| Adjusted profit from operating activities | 40,883 | 54,869 |
| Changes in amounts owed by credit institutions and central banks | -7,256 | 872 |
| Changes in loans and advances | -169,567 | -1,522,940 |
| Changes in securities | 66,888 | 74,876 |
| Changes in deposits | 178,987 | 659,125 |
| Changes in debt to credit institutions and central banks | -63,706 | 557,898 |
| Changes in issued bonds | 74,790 | 260,981 |
| Changes in other assets and liabilities | 39,472 | -26,451 |
| Total cash flows relating to operating activities | 160,491 | 59,230 |
| Acquisition of property, plant and equipment | -10,973 | -1,749 |
| Total cash flows relating to investing activities | -10,973 | -1,749 |
| Cash flows relating to financing activities: | | |
| Dividends paid | -3,600 | -3,000 |
| Acquisition of treasury shares | -36,195 | -75,833 |
| Sale of treasury shares | 18,740 | 59,386 |
| Increase in share capital | 0 | 5,000 |
| Share premium | 0 | 48,041 |
| Repayment of subordinated debt | -25,000 | 0 |
| Increase in subordinated debt | 135,000 | 150,000 |
| Total cash flows relating to financing activities | 88,945 | 183,594 |
| Changes in cash and cash equivalents | 238,463 | 241,075 |
| Cash and cash equivalents at January 1 | 469,818 | 228,743 |
| Cash and cash equivalents at December 31 | 708,281 | 469,818 |
| Specification of cash and cash equivalents at December 31 | | |
| Cash balance and demand deposits with central banks | 19,723 | 202,811 |
| Amounts owed by credit institutions and central banks with less than three months to maturity | 688,558 | 267,007 |
| Total cash and cash equivalents at December 31 | 708,281 | 469,818 |

The cash flow statement can not be directly inferred from this report and the statement is modified the special accounting for financial institution.

Notes

| <i>DKK 1,000</i> | <i>2008</i> | <i>2007</i> |
|--|----------------|----------------|
| NOTE 1 | | |
| Interest income/forward premium: | | |
| Due from credit institutions and central banks | 19,968 | 9,478 |
| Loans and other amounts due to the bank | 270,009 | 188,908 |
| Bonds | 7,589 | 8,668 |
| Other interest income | 8,271 | 1,018 |
| Total | 305,837 | 208,072 |
| The bank has no interest income from genuine sale transactions and repurchase transactions | | |
| NOTE 2 | | |
| Interest expense for: | | |
| Credit institutions and central banks | 81,147 | 54,589 |
| Deposits and other liabilities | 76,822 | 47,000 |
| Issued bonds | 20,117 | 10,195 |
| Subordinated debt | 26,232 | 16,120 |
| Other interest expenses | 352 | 275 |
| Total | 204,670 | 128,179 |
| The bank has no interest expense to genuine sale transactions and repurchase transactions | | |
| NOTE 3 | | |
| Income from charges and commission: | | |
| Trading in securities and deposit | 14,339 | 14,735 |
| Funds transfer | 1,169 | 5,693 |
| Loan charges | 1,356 | 1,754 |
| Guarantee comission | 20,765 | 15,353 |
| Other charges and commissions | 5,008 | 3,498 |
| Total | 42,637 | 41,033 |
| NOTE 4 | | |
| Value adjustment of: | | |
| Bonds | -1,635 | 3,568 |
| Shares etc. | -8,155 | -1,252 |
| Foreign currency | -2,640 | 1,546 |
| Currency, interest, share, commodity and other contracts as well as derivative financial instruments | 708 | 94 |
| Other assets | -24 | -115 |
| Total | -11,746 | 3,841 |
| NOTE 5 | | |
| Staff costs and administrative expenses: | | |
| Remuneration for the Board of Directors, Executive Management and Executive Management | | |
| Executive Management | 1,880 | 1,802 |
| Board of Directors | 565 | 480 |
| Committee of Representatives | 28 | 25 |
| Total | 2,473 | 2,307 |
| Staff costs: | | |
| Wages and salaries | 42,529 | 36,587 |
| Pensions | 4,501 | 3,696 |
| Social security contributions | 4,302 | 3,768 |
| Total | 51,332 | 44,051 |
| Other administrative expenses | 41,980 | 28,922 |
| Total staff costs and administrative expenses | 95,785 | 75,280 |

Notes

| <i>DKK 1,000</i> | 2008 | 2007 |
|--|----------------|---------------|
| Number of employees: | | |
| Average number of employees during the financial year converted into full-time employees | 96 | 84 |
| Audit fee: | | |
| Total fee payable to the auditing companies appointed by the general meeting to carry out the statutory audit, including VAT | 1,318 | 599 |
| Of which, other services than audit | 843 | 243 |
| The bank has no internal audit | | |
| NOTE 6 | | |
| Other operating expenses: | | |
| Guarantee commission to the State guarantee scheme | 5,487 | 0 |
| Other operating expenses | 65 | 0 |
| Total | 5,552 | 0 |
| NOTE 7 | | |
| Impairment charges on loans and other debts, etc.: | | |
| Loans | 25,313 | -1,397 |
| Bonds with "hold to maturity investments" | 2,629 | 0 |
| The Private contingency association | 2,924 | 0 |
| Total | 30,866 | -1,397 |
| | | |
| Impairment during the year | 37,664 | 9,959 |
| Reversal of Impairment charges carried out in previous financial years | -6,402 | -9,795 |
| Finally lost, not previously written down individually | 878 | 37 |
| Received, debtors previously written off | -107 | -289 |
| Income interest on provision debts | -1,167 | -1,309 |
| Total | 30,866 | -1,397 |
| NOTE 8 | | |
| Tax: | | |
| Tax on profit for the year | -1,173 | 11,838 |
| Tax on equity movements | 4,364 | -559 |
| Total | 3,191 | 11,279 |
| Tax on profit for the year: | | |
| Current tax | 2,353 | 11,900 |
| Deferred tax | -3,512 | -50 |
| Subsequent adjustments of tax from previous year | -14 | -12 |
| Total | -1,173 | 11,838 |
| Effective tax rate (%): | | |
| Corporate tax rate | 25.0% | 25.0% |
| Effect of changed tax rate | 0.0% | 0.3% |
| Non-taxable income / expenditure etc. | -59.6% | -3.3% |
| Adjustments of tax calculated for previous years | -0.4% | 2.3% |
| Total | -35.0% | 24.3% |
| Deferred tax assets and liabilities are as follows: | | |
| Intangible and tangible assets | 1,499 | 1,407 |
| Securities | -14,082 | -5,308 |
| Other assets and liabilities | 962 | -1,055 |
| Total | -11,621 | -4,956 |

Notes

| <i>DKK 1,000</i> | <i>2008</i> | <i>2007</i> |
|---|------------------|------------------|
| NOTE 9 | | |
| Due from credit institutions and central banks: | | |
| Credit balances on terms in with central banks | 499,842 | 249,794 |
| Credit balances with credit institutions | 203,397 | 24,638 |
| Total | 703,239 | 274,432 |
| Breakdown by residual maturity: | | |
| Demand deposits | 13,717 | 17,213 |
| Up to and including 3 months | 674,841 | 249,794 |
| Over 5 years | 14,681 | 7,425 |
| Total | 703,239 | 274,432 |
| NOTE 10 | | |
| Loans and other debtors at amortized cost price: | | |
| Loans and other debtors at amortized cost price before depreciation | 3,757,149 | 3,590,884 |
| - Write-downs at year-end excl. guarantee provisions - see note 18 and 23 | -44,545 | -19,508 |
| Total | 3,712,604 | 3,571,376 |
| Loans (distributed according to term to maturity): | | |
| Demand deposits | 2,146,036 | 1,840,239 |
| Up to and including 3 months | 289,771 | 177,171 |
| More then 3 months and up to and including 1 year | 443,783 | 476,039 |
| More one year and up to and including 5 years | 561,549 | 722,657 |
| More 5 years | 271,465 | 355,270 |
| Total | 3,712,604 | 3,571,376 |
| NOTE 11 | | |
| Bonds: | | |
| Bonds at fair value | 69,545 | 226,183 |
| Bonds at amortized cost (Hold to maturity) | 52,580 | 0 |
| The difference between bonds measured at amortized cost and fair value | -4,304 | 0 |
| Total | 117,821 | 226,183 |
| Mortgage bonds | 90,580 | 119,744 |
| Government bonds | 53 | 64,960 |
| Other bonds | 27,188 | 41,479 |
| Total | 117,821 | 226,183 |
| NOTE 12 | | |
| Shares, etc.: | | |
| Shares/investment unit certificates listed on the NASDAQ OMX Copenhagen A/S | 30,577 | 45,581 |
| Shares/investment unit certificates listed on other stock exchanges | 0 | 40 |
| Unlisted shares stated at fair value | 107,470 | 71,566 |
| Total | 138,047 | 117,187 |
| NOTE 13 | | |
| Investments in group companies (subsidiaries): | | |
| Total cost | 1,011 | 1,011 |
| Revaluations and depreciation beginning of year | 222 | 222 |
| Result | 8 | 0 |
| Revaluations and depreciation end of year | 230 | 222 |
| Total | 1,241 | 1,233 |

Notes

| <i>DKK 1,000</i> | 2008 | 2007 |
|---|------------------|------------------|
| NOTE 14 | | |
| Tangible assets: | | |
| Domicile properties: | | |
| Revalued amount beginning of year | 46,961 | 38,263 |
| Acquisitions during the year, including improvements | 4,344 | 0 |
| Depreciation | 283 | 283 |
| Value change, which is recognized in the income | 0 | 0 |
| Value change, which is recognized directly in equity | 0 | 9,000 |
| Other changes | 0 | -19 |
| Revaluation end of year | 51,022 | 46,961 |
| The measurement of occupied property are made without the help of external experts. | | |
| Operating equipment: | | |
| Cost price beginning of year | 11,970 | 11,303 |
| Acquisitions during the year | 6,629 | 1,799 |
| Disposals during the year | 1,222 | 1,132 |
| Cost price end of year | 17,377 | 11,970 |
| Write-downs and depreciations beginning of year | 8,117 | 7,347 |
| Write-downs for the year | 2,470 | 1,852 |
| Reverse write-downs and depreciation during the year | 1,222 | 1,082 |
| Write-downs and depreciations end of year | 9,365 | 8,117 |
| Total | 8,012 | 3,853 |
| NOTE 15 | | |
| Debt to credit institutions and central banks: | | |
| Debt to credit institutions | 1,527,917 | 1,591,623 |
| Distributed according to term to maturity: | | |
| Debt payable on demand | 64,223 | 47,694 |
| Up to and including 3 months | 1,404,089 | 930,954 |
| More than 3 months and up to and including 1 year | 59,605 | 110,896 |
| More than 1 year and up to and including 5 years | 0 | 502,079 |
| Total | 1,527,917 | 1,591,623 |
| NOTE 16 | | |
| Deposits and other debts: | | |
| On demand | 1,262,755 | 1,339,137 |
| At notice | 900 | 920 |
| Time deposits | 472,459 | 280,860 |
| Special categories of deposit | 245,772 | 181,982 |
| Total | 1,981,886 | 1,802,899 |
| Distributed according to term to maturity: | | |
| Debt payable on demand | 1,491,917 | 1,348,025 |
| Up to and including 3 months | 194,025 | 276,593 |
| More than 3 months and up to and including 1 year | 76,390 | 5,853 |
| More than 1 year and up to and including 5 years | 42,991 | 46,748 |
| More than 5 years | 176,563 | 125,680 |
| Total | 1,981,886 | 1,802,899 |

Notes

| DKK 1,000 | 2008 | 2007 |
|---|----------------|----------------|
| NOTE 17 | | |
| Issued bonds at amortised cost price: | | |
| Distributed according to term to maturity: | | |
| More than 3 months and up to and including 1 year | 0 | 100,000 |
| More than 1 year and up to and including 5 years | 435,771 | 260,981 |
| Total | 435,771 | 360,981 |
| NOTE 18 | | |
| Provisions for losses on guarantees: | | |
| Concerning act on financial stability | 2,924 | 0 |
| Total | 2,924 | 0 |
| NOTE 19 | | |
| Subordinated debt: | | |
| Nominal DKK 40 million. Supplementary capital raised May 13, 2005. | | |
| Interest rates until May 12, 2010: CIBOR 3 + 1.20% p.a. | | |
| Interest rates from May 13, 2010: CIBOR 3 + 2.70% p.a. | | |
| Expiry date: May 13, 2013 | | |
| DKK 40 million is included in the calculation of the bank's capital base after deductions. | | |
| Nominal DKK75 million. Supplementary capital raised June 23, 2006. | | |
| Interest rates until November 1, 2011: CIBOR 3 + 1.10% p.a. | | |
| Interest rates from November 2, 2011: CIBOR 3 + 2.60% p.a. | | |
| Expiry date: November 1, 2014 | | |
| DKK 75 million is included in the calculation of the bank's capital base after deductions. | | |
| Nominal DKK 75 million. Supplementary capital raised May 1, 2007. | | |
| Interest rates until May 1, 2012: CIBOR 3 + 1.10% p.a. | | |
| Interest rates from May 2, 2012: CIBOR 3 + 2.60% p.a. | | |
| Expiry date: May 1, 2015 | | |
| DKK 75 million is included in the calculation of the bank's capital base after deductions. | | |
| Nominal DKK 75 million. Supplementary capital raised June 19, 2007. | | |
| Interest rates until December 3, 2012: CIBOR 6 + 1.10% p.a. | | |
| Interest rates from December 4, 2012: CIBOR 6 + 2.60% p.a. | | |
| Expiry date: December 3, 2015 | | |
| DKK 75 million is included in the calculation of the bank's capital base after deductions. | | |
| Nominal DKK 150 million. Supplementary capital raised May 15, 2008 to rate 90. | | |
| Interest rates until May 22, 2013: 4.00% p.a. | | |
| Interest rates from May 23, 2013: CIBOR 3 + 3.00% p.a. | | |
| Expiry date: May 22, 2016 | | |
| DKK 135 million is included in the calculation of the bank's capital base after deductions. | | |
| Hybrid core capital: | | |
| Nominal DKK 50 million. Supplementary capital raised December 2005. | | |
| Interest rates: 5.44% | | |
| Interest rates from May 1, 2016: CIBOR 3 + 2.82%. | | |
| Expiry date: infinite | | |
| DKK 50 million is included in the calculation of the bank's capital base after deductions. | | |
| Cost paid during the financial year: | | |
| Establishment costs | 245 | 0 |
| Interest expenses | 26,232 | 16,120 |
| Total | 26,477 | 16,120 |

NOTE 20

Share capital:

The share capital consists of 3,000,000 shares of DKK 10 each

No shareholder has stated that he/she owns more than 5% of the share capital

Notes

| DKK 1,000 | 2008 | 2007 |
|---|------------------|------------------|
| NOTE 21 | | |
| Contingent liabilities: | | |
| Guarantees etc.: | | |
| Financial guarantees | 1,489,998 | 1,228,298 |
| Guarantees against losses for mortgage loans | 287,297 | 512,295 |
| Land registration and conversion guarantees | 391,731 | 508,406 |
| Other guarantees | 90,622 | 38,519 |
| Total guarantees tec. | 2,259,648 | 2,287,518 |
| Other liabilities: | | |
| Other liabilities | 3,881 | 3,793 |
| Total other liabilities | 3,881 | 3,793 |
| As security for clearing etc. the bank has to the Danish National Bank pledged bonds from the total bond portfolio at a total market value of | 0 | 67,382 |

| DKK 1,000 | 2008 | | 2007 | |
|--|---------------|------------------|---------------|------------------|
| | Nominal value | Net market value | Nominal value | Net market value |
| NOTE 22 | | | | |
| Derivative financial instruments: | | | | |
| Foreign-exchange contracts: | | | | |
| Forward business, purchase | 869,725 | 37,316 | 405,540 | -895 |
| Forward business, sale | 917,737 | -45,351 | 722,530 | 1,465 |
| Unsettled spot transactions, purchase | 7,473 | 272 | 121 | 0 |
| Unsettled spot transactions, sale | 7,820 | 274 | 57 | 0 |
| Foreign exc. swaps | 61,806 | -1 | 61,627 | 0 |
| Options purchased | 208,303 | 1,543 | 65,554 | 462 |
| Options sold | 208,303 | -5,542 | 73,010 | -536 |
| Interest-rate contracts: | | | | |
| Forward business, purchase | 542 | 120 | 10,483 | 126 |
| Forward business, sale | 542 | -111 | 10,483 | -107 |
| Unsettled spot transactions, purchase | 2,268 | 28 | 10,231 | 15 |
| Unsettled spot transactions, sale | 1,988 | -27 | 10,252 | -9 |
| Interest swaps | 61,806 | -1 | 365,260 | 135 |
| Share contracts: | | | | |
| Unsettled spot transactions, purchase | 407 | 13 | 3,506 | -12 |
| Unsettled spot transactions, sale | 406 | -11 | 3,770 | 21 |
| Udstedte aktieoptioner | 0 | 0 | 0 | 0 |
| Total derivative financial instruments: | | -11,478 | | 665 |

Notes

| DKK 1,000 | 2008 | 2007 |
|--|---------------|---------------|
| NOTE 23 | | |
| Credit risks: | | |
| Impairment on loans and other debts, etc.: | | |
| Individual impairment on loans: | | |
| Individual impairment on loans beginning of year | 17,444 | 21,287 |
| Impairment during the year | 30,351 | 7,895 |
| Reversal of impairment carried out in previous financial years | -6,402 | -9,795 |
| Finally lost earlier individually depreciated | -672 | -1,943 |
| Individual impairment on loans end of year | 40,721 | 17,444 |
| The amount of loan loss provisions made on individual loans and advances as of December 31 2008: DKK 302 million. | | |
| Group impairment on loans: | | |
| Group impairment beginning of year | 2,064 | 0 |
| Impairment during the year | 1,760 | 2,064 |
| Group impairment on loans end of year | 3,824 | 2,064 |
| The sum of loans and advances on which loan loss provisions by group has been made by December 31 2008: DKK 3,449 million. | | |
| Total impairment on loans: | | |
| Impairment during the year on hold to maturity investments | 2,629 | 0 |
| Provisions of the year on the guarantees (The Private Contingency) | 2,924 | 0 |
| Impairment on loans and other debts, etc. end of year | 50,098 | 19,508 |
| Accumulated loan impairment in percent of loans and guarantees at year-end | 0.8% | 0.3% |
| No loan impairment have been made on Credit Institutions at year-end | | |
| Loans with suspended interest calculation at year-end | 5,186 | 1,408 |
| Loan and guarantee debtors by sector (before impairment): | | |
| Public authorities | 0.4 | 0.4 |
| Sector: | | |
| Agriculture, hunting and forestry | 18.9 | 10.5 |
| Fishery | 0.0 | 0.0 |
| Manufacturing, raw material extraction, electricity, gas, water and heating plants | 2.6 | 3.0 |
| Construction and civil engineering works | 3.7 | 2.5 |
| Trade, restaurant and hotel business | 5.9 | 3.8 |
| Transport, post and telephone | 0.4 | 0.5 |
| Financial institutions and insurance | 11.0 | 11.3 |
| Real estate | 34.0 | 40.9 |
| Other sectors | 2.7 | 2.8 |
| Total sectors | 79.2 | 75.3 |
| Private customers | 20.4 | 24.3 |
| Total | 100.0 | 100.0 |
| NOTE 24 | | |
| Market risks: | | |
| Foreign exchange risk: | | |
| Foreign exchange indicator 1 | 29,574 | 72,917 |
| Foreign exchange indicator 1 in % of core capital after deductions | 9.1 | 20.5 |
| Foreign exchange indicator 2 | 774 | 602 |
| Foreign exchange indicator 2 in % of core capital after deductions | 0.2 | 0.2 |
| Interest rate risk: | | |
| Total interest rate risk | -12,091 | -2,718 |
| Interest rate risk by the foreign currencies with the largest interest rate risk | | |
| DKK | -8,970 | -852 |
| EUR | -2,204 | -1,826 |
| CHF | -862 | -4 |
| Other currencies | -55 | 4 |

Notes

| DKK 1,000 | 2008 | 2007 |
|---|--------------|------------|
| NOTE 25 | | |
| Related parties: | | |
| Related parties include the bank's Executive management, board of directors and associates. | | |
| There were no unusual transactions with related parties in 2008 and transactions with related parties have been carried out at arm's length. Remuneration for the Management Executive and Board of Directors are stated in note 5. | | |
| Executive management and board of directors: | | |
| The size of loans, pledges, surety or guaranties established for the following: stiftet for nedennævnte: | | |
| Loans etc.: | | |
| Management Executive | 1,450 | 1,000 |
| Board of Directors | 111,108 | 153,851 |
| Security: | | |
| Management Board | 750 | 750 |
| Executive Board of Directors | 72,547 | 60,726 |
| All exposures are made at market conditions with the exception of the employee elected members of the Board, following the prescribed conditions for employees of Aarhus Lokalbanc | | |
| NOTE 26 | | |
| Group Structure: | | |
| The bank is the parent company of Center Finansiering A/S in which the bank owns the entire share capital of DKK 500,000. | | |
| Due to the modest size of the subsidiary compared with the bank, no consolidated accounts have been prepared. | | |
| In the bank's financial statement, the shares in Center Finansiering A/S are valued at equity value. The equity of Center Finansiering A/S is T.DKK 1,241. The parent company's debt to Center Finansiering amounts to T.DKK 1,264. | | |
| On a group basis the capital adequacy ratio has been calculated at 13%. | | |
| Accounts with associates: | | |
| Items under equity and liabilities | | |
| Deposits | 1,264 | 892 |
| Total items under equity and liabilities | 1,264 | 892 |

Board of Representatives, Board of Directors and Management Board

Board of Directors

Rasmus Juhl Rasmussen, Landowner, Skaarupgaard – Chairman.
Born in 1946.

Elected to the Board in 1992.

Directorships in other Danish limited companies: Sia Gaizeni A/S, Biofiber-Damino A/S, Livlande Holding A/S, Biodan A/S and Organic Fuel Technology A/S.

Jørn Sørensen, Master Bricklayer, Hadsten – Deputy Chairman.

Born in 1945.

Elected to the Board in 2000.

Directorships in other Danish limited companies:

Mågevejens murer- og tømrerforretning A/S, MMT Holding A/S, JS

Ejendomme Hadsten A/S and Mågevejens murer- og tømrerforretning af 1982 A/S.

Esben Hammer, Bookstore Owner, Hadsten

Born in 1950.

Elected to the Supervisory Board in 2004.

Gert Lopdrup Pedersen, Landowner, Hadsten

Born in 1959.

Elected to the Board in 2006.

Jørgen Balle, Chief Executive Officer, Aarhus

Born in 1964

Elected to the Board in 2008.

Directorships in other Danish limited companies:

Aarhuskarlshamn Denmark A/S and four subsidiaries,

Bach Salicath Danmark A/S and four subsidiaries.

Knud Erik Rasmussen, Certified Public Accountant, Højbjerg

Born in 1953

Elected to the Board 2008.

Directorships in other Danish limited companies:

Hamimmo A/S, Kenobi Invest A/S, Sifekon Invest A/S and Hamimmo

Boliginvest A/S.

Per Enevoldsen, Deputy Manager, Mårslet

Born in 1952.

Elected to the Board in 2005 by the employees.

Kirsten Majgaard Basse, LLM, Aarhus

Born in 1961.

Elected to the Board in 2008 by the employees.

Hanne Pedersen, Customer advisor - Farming and Agricultural, Hinnerup

Born in 1969

Elected to the Board in 2008 by the employees.

Management's portfolio of Aarhus Lokalbank shares

| | Dec. 31 2008 | Dec. 31 2007 |
|-----------------------------|----------------|----------------|
| Board of Directors | shares | shares |
| Per Enevoldsen | 3,021 | 2,904 |
| Esben Hammer | 4,152 | 4,152 |
| Gert L. Pedersen | 9,384 | 9,384 |
| Rasmus Juhl Rasmussen | 149,276 | 149,276 |
| Jørn Sørensen | 43,307 | 43,307 |
| Jørgen Balle | 643 | 243 |
| Knud Erik Rasmussen | 30,498 | 30,198 |
| Kirsten Majgaard Basse | 20 | 0 |
| Hanne Pedersen | 359 | 242 |
| Executive Management | | |
| Per Hermansen | 23,195 | 23,080 |
| Total | 263,855 | 262,786 |

Board of Representatives

Rasmus Juhl Rasmussen, Landowner, Skaarupgaard – Chairman

Jørn Sørensen, Master Builder, Hadsten - Vice Chairman

Anders Balle, CFO, Hadsten

Jørgen Balle, President, Aarhus

Erik Bredholt, Large Farmer, Skødstrup

Hans Jørgen Broge, Forest Owner, Laurbjerg

Morten Christensen, CEO, Viby

Sten Ejsing, MSc, Engineering, Højbjerg

Gert Elgaard, Master builder, Hadsten

Poul Fisker, Site Foreman, Selling

Carsten Gadeberg, CEO, Hadsten

Esben Hammer, Bookseller, Hadsten

Ejvind Jørgensen, Financial Consultant, Hadsten

John Kragh, Haulage Contractor, Langaa

Carsten Laursen, Contractor, Langaa

Hakon Lyngaae, Manufacturer, Hadsten

Gitte Rørbaek-Løcke, Chemist, Hadsten

Anne Qvist Nielsen Sagild, Architect, Aarhus

Gert L. Pedersen, Farm Owner, Hadsten

Hans Petersen, Chief sub-editor, Mårslet

Knud Erik Rasmussen, State Authorised Public Accountant, Højbjerg

Jan Rasmussen, Farm Owner, Hadsten

Executive Management

Per Hermansen, Chief Executive Officer, Hadsten

Born in 1955.

Appointed bank manager in 2005.

Remuneration

Board of Directors

Aarhus Lokalbank has nine board members.

The Board is elected by the Board of Representatives for one year of service.

Board remuneration:

| | |
|-----------------|---------------------|
| Chairman | DKK 150,000 a year. |
| Deputy Chairman | DKK 90,000 a year. |
| Other members | DKK 60,000 a year. |

Executive Management

Current terms

Salary DKK 1,650,000 a year.

Supplementary pension 11% of salary.

Other terms Company car, home office, life insurance, accident and health insurance, telephone and newspaper.

Term of notice 18 months.

Retirement benefit plan No agreements were made in connection with ordinary retirement.

Bonus scheme No bonus scheme has been agreed.

Partners

Owner interests:

DLR Kredit A/S (with regional and local financial institutions).

Unit trusts:

BankInvest

Spar Invest

Garanti Invest

ValueInvest Asset Management S.A. Luxembourg

Other owner interests:

PBS (The Financial Institutions Service of fee-paying)

Dankort A/S

Letpension A/S

Værdipapircentralen A/S

PRAS A/S

Union-Bank AG Flensburg

Other partners:

PFA

Privatsikring

Forvaltningsinstituttet for lokale pengeinstitutter (a trust company representing local financial institutions)

MasterCard

Bankpension

Danske Invest

Gudme Raaschou Invest

Sydinvest

Partners:

Totalkredit:

With more than 100 local- and regional financial institutions we can, in alliance with Nykredit, provide mortgages to private customers through Totalkredit. Measured in new lending for private owner-occupied dwellings, Totalkredit is today among the largest in the market. Totalkredit-loans are offered in more than 1,000 subdivisions throughout Denmark.

The Danish Bankers Association:

We work closely with this organisation, comprised of approx. 134 financial institutions representing the financial sector.

Local financial institutions:

Along with approx. 106 other local financial institutions, we work together on projects etc., of mutual interest, within the sector.

Education centre for the financial sector:

We support this organisation, which promotes and improves education standards among the 120 – primarily financial institutions - in the country.

Marketing alliances

Together with 20 local financial institutions we work to achieve a common product development and marketing strategy.

Bankdata

We are one of 15 financial institutions, working together for a common IT-development and data processing system.



Staff

Toldkammeret



Per Hermansen
Chief Executive Officer



Bjarne Fries
Head of credit Dept



Henning Jensen
Head of
Administration



Claus Lauenborg
Head of Market Dept.



Ole Lønsmann
Deputive Executive
officer



Carsten Stenulm
Deputive Executive
Officer



Liz Abildgaard
Finance Assistant



Dorte Andersen
Finance Assistant



Gitte Kjær Andersen
Chief Secretary



Torben Bach
Account Manager,
Leasing



Jonas Krogh Balslev
Chief Accountant



Jette Bjerglund
Account Manager



Helle Bjerrehus
Finance Assistant



Anne-Marie Bomholt
Account Manager



Ellinor Carstensen
Assistant Account
Manager



Connie Christensen
Assistant Vice
President



Else O. Christensen
Account Manager



Christian Dyrbye
Currency Advisor



Claus F. Christiansen
Currency advisor



Ivan Dybvad
Senior Account
Manager



Stine Eibye
Assistant Account
Manager



Lars Emmery
Funding Manager



Anette Feldballe
Receptionist



Lotte Fisker
Marketing
Coordinator



Lone Hansen
Account Manager



Preben Hansen
Head of IT-DPT.



Jytte Houe
Investment Advisor



Sofie Frogner Krusell
Financetrainee



Merete Kærgaard
IT-consultant



Connie Larsen
Assistant Vice
President



Søren Larsen
Investment Advisor



Mette Lisby
Account Manager



**Kirsten Majgaard
Basse**
Lawyer



Helene Nickø
Pension Advisor-
trainee



Per Ø. Nielsen
Head of Client
Finance



Mia Poulsen
Account Manager



Birgit Poulsen
Administration Officer



Jette Rafn
Pension Advisor



Johnny Rosborg
Investment Advisor



Ann Sofie Skjoldager
Marketing
Coordinator

Staff

Hadsten



Henning Bertelsen
Branch Director



Svend Erik Hansen
Head of Agriculture
Dept.



Hans Peder Hansen
Head of Private
Banking



Else Andersen
Teller



Else Marie Brask
Housing Consultant



Lis Erichsen
Canteen



Vibeke Glavind
Assistant Account
Manager



Lis Gregersen
Account Manager



Solveig Haaning
Account Manager



Nethe B. Hjort
Assistant



Elin Jensen
Teller



Finn Jensen
Assistant



Ulrik Jensen
Account Manager



Jette Jørgensen
Account Manager



Rune Kjeldsen
Account Manager



Christina Koue
Account Manager



Camilla H. Lund
Account Manager



Pia Sass Lyman
Account Manager



Anja Minddal
Account Manager



Pernille Mortensen
Trainee



**Brian Højland
Nielsen**
Account Manager



Søren Nielsen
Senior Account
manager



Hanne Pedersen
Account Manager
Agriculture Dept.



Frank Rasmussen
Account Manager
Agriculture Dept.



Ingelise Lykke
Account Manager



Tove Skipper
Account Manager



Anne Sørensen
Assistant Account
Manager



Mie L. Sørensen
Assistant Account
Manager



**Mille Brændstrup
Sørensen**
Trainee



Hanne Østergaard
Account Manager

Havnegade



Claus Kjær
Branch Director



Per Enevoldsen
Deputy Branch
Direktor



Brit Degn Christensen
Account Manager



Hans Damborg
Account Manager



Eva Falborg
Housing Advisor



Dorte Faurholt
Account Manager



Margrethe Fogsgaard
Account Manager



Anders Krogh Hansen
Trainee



Morten Høgh
Account Manager



Mads S. Jacobsen
Account Manager



Christina N. Jensen
Trainee



Mariane L. Kjærgaard
Account Manager



Lars Klitgaard
Account Manager



Steffen Laursen
Account Manager



Dorte Meldgaard
Account Manager



Hanne Bodh Nielsen
Account Manager



Jette S. Nielsen
Account Manager



Julie Nielsen
Account Manager



Elsie M. Pedersen
Account Manager



Jan Rasmussen
Account Manager



Dorthe Skovby
Account Manager



Lene Sørensen
Teller



Leo Søndberg Thorsen
Account Manager

Langå



Dagmar Bæk
Branch Manager



Brian Vestergaard
Deputy Branch
Direktor



Elisabeth Andersen
Account Manager



John Iversen
Assistant Account
Manager



Michael Pedersen
Account Manager



Ivan Bach Petersen
Account Manager



Sine Vodsborg
Account Manager



Aarhus Lokalbank

Headoffice

Nordhavns­gade 1 · DK-8000 Århus C
Tel +45 87 61 46 00 · Fax +45 86 98 30 78
mail@aarhuslokalbank.dk · www.aarhuslokalbank.dk



Aarhus Lokalbank

Branch

Havnegade 2 · DK-8000 Århus C
Tel +45 87 61 45 00 · Fax +45 87 61 45 45
mail@aarhuslokalbank.dk · www.aarhuslokalbank.dk



Hadsten Bank

Branch

Østergade 15 · DK-8370 Hadsten
Tel +45 86 98 15 00 · Fax +45 86 98 30 78
mail@hadstenbank.dk · www.hadstenbank.dk



Langå Bank

Branch

Bredgade 18 · DK-8870 Langå
Tel +45 86 46 28 00 · Fax +45 86 46 27 22
mail@langaabank.dk · www.langaabank.dk